CITY OF FROSTPROOF, FLORIDA

FINANCIAL STATEMENTS

September 30, 2023

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City of Frostproof
The Friendly City

INTRODUCTORY SECTION

City of Frostproof, Florida

LIST OF PRINCIPAL OFFICALS

September 30, 2023

City Council

Mayor

Jonathan Albert

Council Members

Austin Gravely
Leslie Brewer
Mike Hutto
Tashana True

City Manager
Nicole McDowell

City Attorney
Chuck Galloway

City Clerk
Nicole McDowell

City Planner
Jeff Schmucker

Finance Director
Winnie Gordon

Library Director
Melissa D. Hadden

Fire Chief
Jerry Riner

Building Official
Robert Lane

Utility Manager
Savannah Padgett

Public Service Director
Josh Turner

City of Frostproof

The Friendly City

FINANCIAL SECTION

PURVIS GRAY

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frostproof, Florida (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We have conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

INDEPENDENT AUDITOR'S REPORT

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

INDEPENDENT AUDITOR'S REPORT

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedules of changes in net pension liabilities, and schedules of contributions and investment returns be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining non-major fund financial statements and schedule of expenditures of state financial assistance, as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Purvis Gray

December 18, 2024
Sarasota, Florida

As management of the City of Frostproof, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $21,092,867 (net position) compared to $18,166,445 in the prior year. Of this amount, $3,295,429 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors compared to $2,607,058 in the prior year.
- The City-wide change in net position was an increase of $2,956,540 compared to an increase of $423,339 in the prior year.
- The City's governmental activities reported ending net position of $9,082,458 an increase of $934,645 or 11% over the previously reported balance in the prior year. The change in net position included a restatement to remove revenue reported in 2022 that was returned in 2023 and the amount of the restatement was $30,118.
- The City's business-type activities reported ending net position of $12,010,409 an increase of $2,021,895 or 20% over the prior year.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements consist of two financial statements that address the financial position and result of operations of the City taken as a whole. These two financial statements are the Statement of Net Position and Statement of Activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, which is like the accounting used by most private-sector companies. All the current year's revenues and expenses are recorded regardless of when cash is received or paid.

The ***Statement of Net Position*** presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources with the residual measure reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The ***Statement of Activities*** presents total revenues and total expenses of the City with the difference between the two equaling the increase or decrease in net position during the year.

Overview of the Financial Statements (cont…)

The information in each of these two statements presents the activity of the City as governmental activities or business-type activities.

- **Governmental activities** – This category of the government-wide financial statements represents those activities provided by the City, not financed by the imposition of a user fee assessed directly and exclusively against the users of those activities. The governmental activities of the City include general government, public safety, transportation (streets), culture (library, City Hall auditorium, etc.), and community affairs (recreations and parks).
- **Business-type activities** – This category of the government-wide financial statements include those activities which the City charges a fee to customers to cover all or most of the cost of the services the City provides. The business-type activities of the City consist of water, wastewater treatment, sanitation and stormwater services.

The government-wide financial statements can be found by referencing the table of contents of this report.

Reporting the City's Most Significant Funds:

Fund financial statements

This is the second section of the basic financial statements. These statements present information that centers on individual funds. A fund is a grouping of related accounts that provides control over the resources that are segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The reason for this different accounting approach is that the activities in these funds are not financed from a direct user fee. As a result, there is no emphasis placed on measuring annual net profit or loss resulting from these operations. Instead, the accounting for these funds focuses on whether there will be enough cash flow available in a given year to finance the costs of providing services. The emphasis is more focused on activities occurring within a one-year budget period rather than the long-term.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Overview of the Financial Statements (cont…)

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two major governmental funds, the general fund and the American Rescue Plan Grant special revenue fund. The general fund accounts for the activities of a variety of different programs that are not financed from direct user charges. This American Rescue Plan Grant special revenue fund was established to account for the collection and expenditure of the Coronavirus State and Local Recovery funds, a part of the American Rescue Plan Act. As major funds, the general fund and the American Rescue Plan Grant special revenue funds are accounted for as a separate column on the governmental fund financial statements. All of the other governmental funds of the City are reported as non-major governmental funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule is provided as required supplementary information to demonstrate compliance with the budget.

The governmental fund financial statements immediately follow the government-wide financial statements. The budgetary comparison schedule for the general fund is outside the basic financial statements in a section of this report titled "required supplementary information".

Proprietary funds - Proprietary funds are those funds classified as business-type activities in the government-wide financial statements. The basis of accounting used within these statements is the same full accrual method used in the private sector, where the intent is that the costs of providing goods and services are financed primarily through user charges. There is no difference between the basis of accounting used in the government-wide statements and the proprietary fund financial statements.

The City has one proprietary fund, the enterprise fund. This fund appears in the only column in the proprietary funds financial statements.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government–wide financial statement because the resources of those funds are not available to support the City's own programs. While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City reports two pension trust funds that are used to report resources held in trust for retirees and beneficiaries covered by the general employees' pension trust fund and the police officers' pension trust fund. Additionally, the City reports a custodial fund to account for certain fees collected on behalf of other governments.

Overview of the Financial Statements (cont…)

Notes to the financial statements - The notes to the financial statements comprise the third section of the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the three components included in the basic financial statements, this annual financial report also includes supplementary information described as follows:

Required supplementary information – This section of the report includes the following additional information: 1) schedules that compare the annual operating budgets adopted by the City for the major governmental funds to the actual revenues and expenditures reported for the year; and 2) trend information regarding the performance of the City's pension trust funds.

Government-wide Financial Analysis

The following is a summary of the information presented in the **Statement of Net Position** as referenced in the table of contents of this report.

Statement of Net Position (Summary)
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 5,445,814	$ 5,309,921	$ 2,428,651	$ 1,427,877	$ 7,874,465	$ 6,737,798
Capital assets	5,354,797	5,066,945	12,516,252	11,088,739	17,871,049	16,155,684
Total assets	10,800,611	10,376,866	14,944,903	12,516,616	25,745,514	22,893,482
Deferred outflows	822,730	308,938	153,300	171,323	976,030	480,261
Current liabilities	871,938	1,510,023	960,138	274,021	1,832,076	1,784,044
Non-current liabilities	1,417,625	394,040	1,900,749	2,136,325	3,318,374	2,530,365
Total liabilities	2,289,563	1,904,063	2,860,887	2,410,346	5,150,450	4,314,409
Deferred inflows	251,320	603,810	226,907	289,079	478,227	892,889
Net position:						
Net investment in capital assets	5,317,550	5,048,187	10,651,165	8,974,079	15,968,715	14,022,266
Restricted	1,371,685	1,248,906	457,038	288,215	1,828,723	1,537,121
Unrestricted	2,393,223	1,880,838	902,206	726,220	3,295,429	2,607,058
Total net position	$ 9,082,458	$ 8,177,931	$ 12,010,409	$ 9,988,514	$ 21,092,867	$ 18,166,445

Government-wide Financial Analysis (cont…)

Net position – Investment in Capital Assets – The largest portion of the City's net position, (76%) reflects its investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position – Restricted – Restricted net position, representing 9% of the City's total net position, are subject to external restrictions on how they may be used.

Net position – Unrestricted - Unrestricted net position comprises 15% of total net position and may be used to meet the government's ongoing obligations to citizens and creditors.

On September 30, 2022 and 2023, the City reports positive balances in all three categories of net position for the City as a whole.

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Government-wide Financial Analysis (cont…)

The following is a summary of the information presented in the **Statement of Activities** as referenced in the table of contents of this report.

Statement of Activities (Summary)
For the year ended September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Revenues:						
Program Revenues:						
Charges for services	$ 625,380	$ 570,209	$ 2,197,670	$ 2,203,003	$ 2,823,050	$ 2,773,212
Operating grants/contrib.	281,115	377,696	-	-	281,115	377,696
Capital grants/contrib.	1,229,576	562,608	1,850,280	202,225	3,079,856	764,833
General revenues:						
Taxes	2,041,742	1,785,881	-	-	2,041,742	1,785,881
Intergovernmental	417,975	484,424	-	-	417,975	484,424
Other	220,202	56,590	20,836	4,722	241,038	61,312
Total revenues	4,815,990	3,837,408	4,068,786	2,409,950	8,884,776	6,247,358
Expenses:						
General government	622,604	593,237	-	-	622,604	593,237
Law enforcement	1,211,058	1,228,065	-	-	1,211,058	1,228,065
Fire control	309,155	244,418	-	-	309,155	244,418
Building enforcement	107,803	38,482	-	-	107,803	38,482
Transportation	415,173	398,238	-	-	415,173	398,238
Culture	220,136	214,568	-	-	220,136	214,568
Community affairs	351,139	285,448	-	-	351,139	285,448
Interest	1,538	298	-	-	1,538	298
Water and wastewater	-	-	2,042,645	2,169,104	2,042,645	2,169,104
Sanitation	-	-	544,688	498,347	544,688	498,347
Stormwater	-	-	102,297	153,814	102,297	153,814
Total expenses	3,238,606	3,002,754	2,689,630	2,821,265	5,928,236	5,824,019
Transfers in (out)	(642,739)	(44,193)	642,739	44,193	-	-
Change in Net Position	934,645	790,461	2,021,895	(367,122)	2,956,540	423,339
Net position - Beginning	8,177,931	7,443,630	9,988,514	10,293,921	18,166,445	17,737,551
Restatement	(30,118)	(56,160)	-	61,715	(30,118)	5,555
Net position - Ending	$ 9,082,458	$ 8,177,931	$ 12,010,409	$ 9,988,514	$ 21,092,867	$ 18,166,445

Governmental activities – Governmental activities increased the City's net position by $934,645 as a result of operations compared to an increase of $790,461 for the prior year. The main reasons for the current year changes are as follows:

- Total revenue increased by $978,582 or 26% and total expenses increased by $235,852 or 8%.
- General revenue increased $353,024 or 15% mainly due to increased taxes of $255,861 and increased other general revenue of $163,612. The increase in other general revenue is mainly due to interest income, which increased by $173,340 compared to the prior year.
- Program revenues increased by $625,558 or 41% mainly due to increased capital grants and contributions driven by increased grant revenue of $528,131, increased impact fees of $25,169 and donated roadway infrastructure of $210,000.

Government-wide Financial Analysis (cont…)

- Total expenses increased by $235,852 or 8% mainly due to the following.
  - Fire control expenses increased by $64,737 or 25% due to increased repair and maintenance expenses of approximately $27,400 (168%) and increased depreciation expense of approximately $28,900 (86%).
  - Building enforcement expenses increased by $69,321 or 180% due to increased personnel related expenses which increased approximately $55,500 (178%).
  - Community affairs expenses increased by $65,691 or 23% due to increased repair and maintenance expenses of approximately $11,000 (100%)
- The remainder of the governmental activities' expenses experienced an overall increase of approximately $36,100 due to a large variety of changes across diverse expense categories throughout the functions of the governmental activities.

Business-type activities – Business-type activities increased the City's net position by $2,021,895 as a result of operations compared to a decrease of $367,122 for the prior year. The main reasons for the current year changes are as follows:

- Total revenue increased by $1,658,836 or 69% due to a $1,648,055 (815%) increase in capital grants and contributions due to increased grant funding in 2023.
- Total expenses decreased by $131,635 or 5% mainly driven by water and wastewater expenses that decreased by $126,458 (6%) due to a prior year loss on disposal of capital assets of $238,489 that did not recur in 2023. In 2023 the water and sewer function experienced increases in several expense categories, including personnel expenses (increased $13,185 or 3%), repair and maintenance (increased $75,911 or 52%) and materials and supplies (increased $31,683 or 31%).
- Sanitation expenses increased by 46,341 or 9% due to greater costs charged by the City's solid waste service provider.

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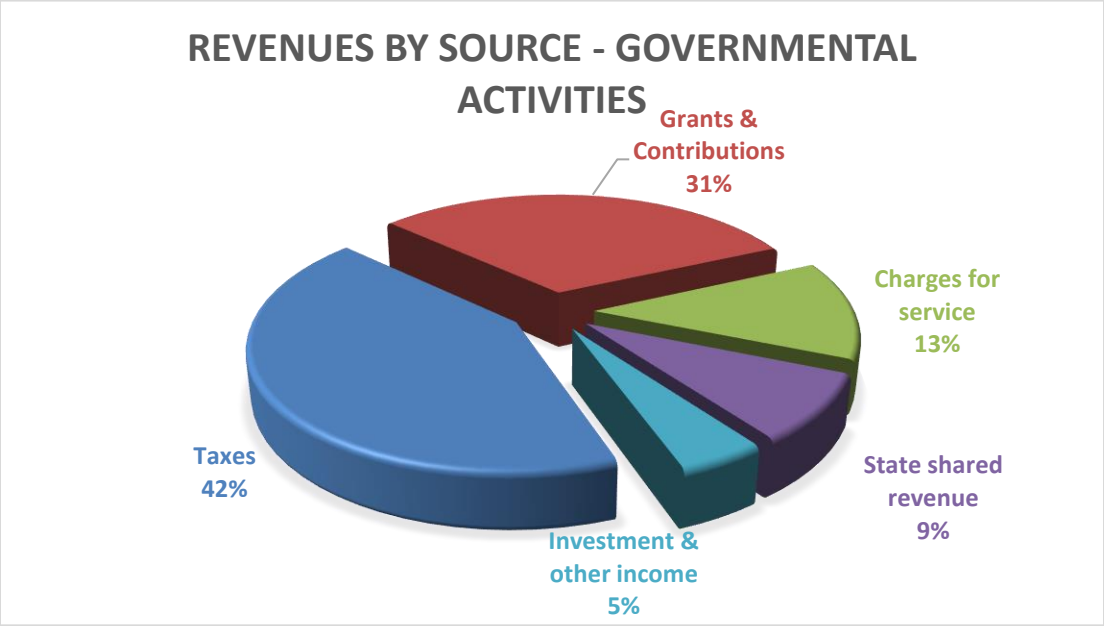
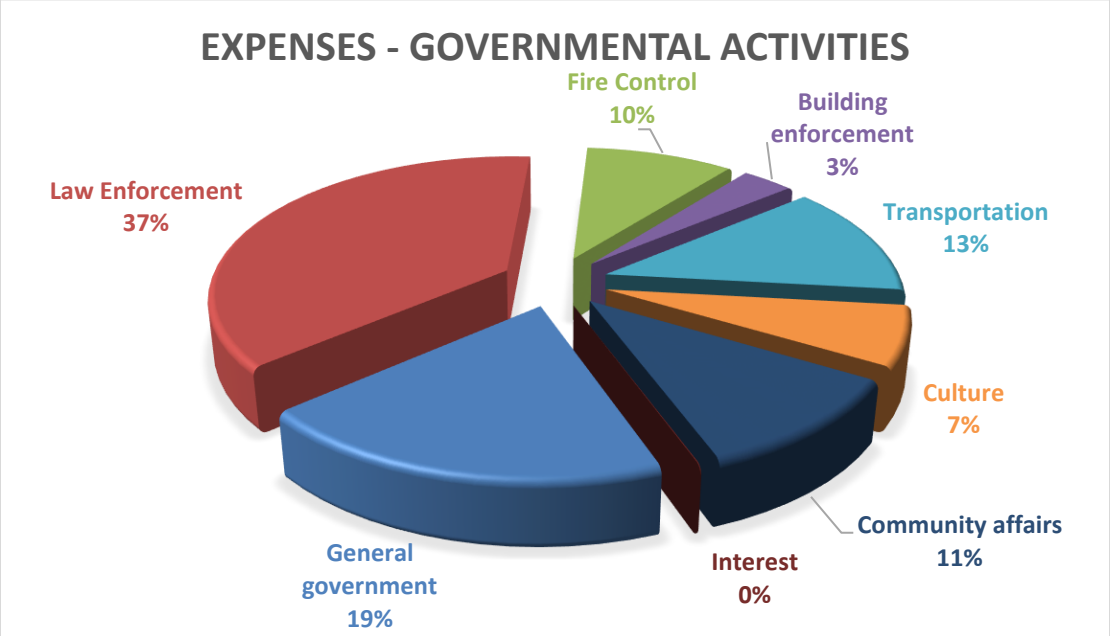
Government-wide Financial Analysis (cont…)

The following pie chart illustrates revenues of governmental activity by source for the year ended September 30, 2023. Taxes, which include property, franchise and utility taxes, comprise 42% of the revenue in the City's governmental activities (47% in the prior year). Taxes increased $255,861 (14%) from the prior year.

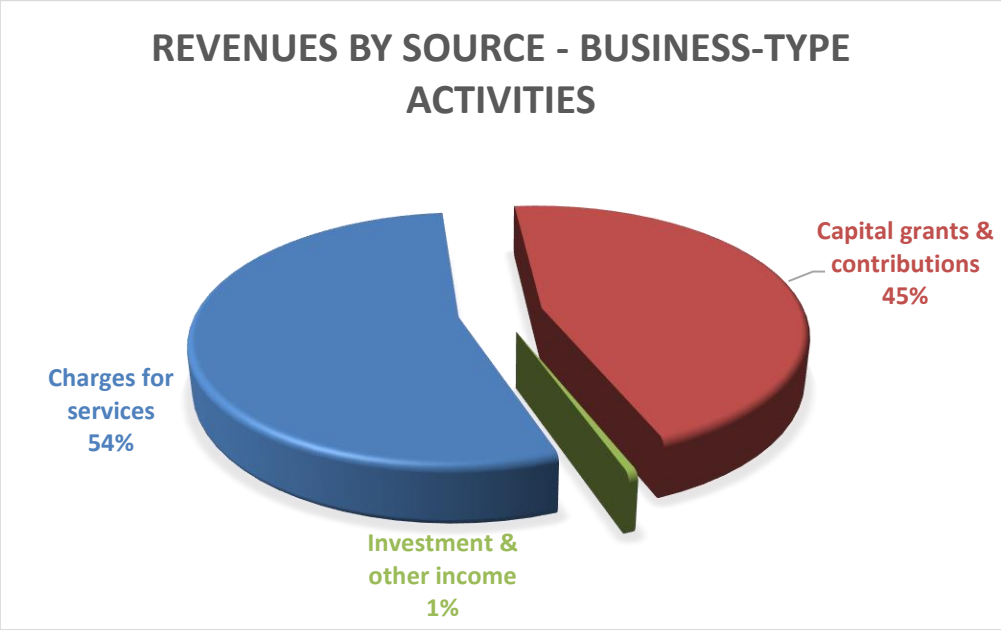


The following pie chart illustrates expenses of governmental activities for the year ended September 30, 2023. Law enforcement is the largest expense and comprises 37% of the expenses in the City's governmental activities (41 % in the prior year).

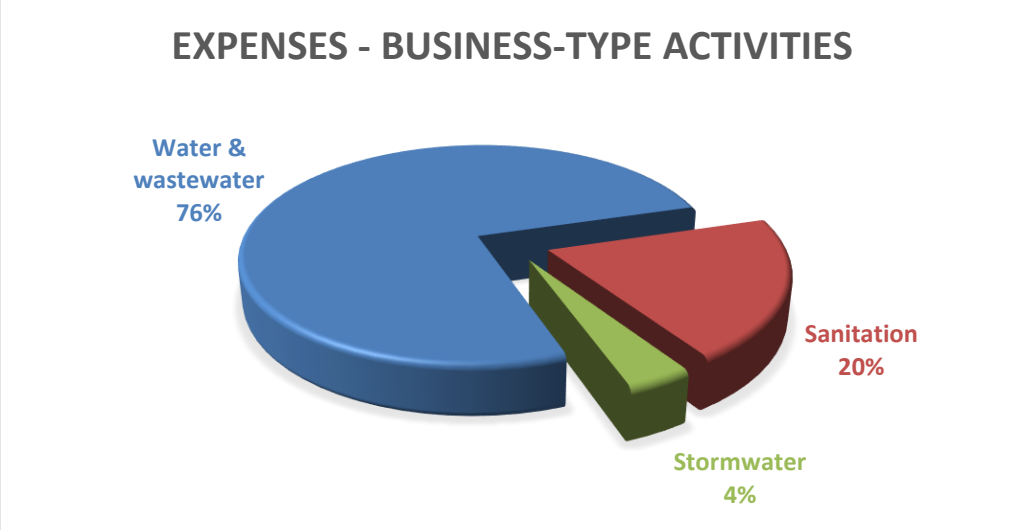


Government-wide Financial Analysis (concluded)

The following pie chart illustrates revenues of business-type activities by source for the year ended September 30, 2023. Charges for services comprise 54% of the revenues in the City's business-type activities (92% in the prior year). The large increase in capital grants and contributions in the current year caused the significant change of relative proportions of total revenue. Charges for services decreased by $5,333 (<1%) from the prior year.



The following pie chart illustrates expenses of business-type activities for the year ended September 30, 2023. The water and wastewater system accounts for 76% of the expenses of the City's business-type activities (77% in the prior year). Water and wastewater system expenses decreased by $126,459 (6%) from the prior year.



Financial Analysis of the Government's Funds

As noted earlier, the City of Frostproof uses fund accounting to segregate the transactions of the City into specific types of operations.

Governmental funds: The focus of the City's governmental funds statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's general fund reported ending fund balances of $4,194,270, an increase of $737,394 in comparison with the prior year restated balance. Of this total, $3,041,924 for the general fund constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is $1,152,346 and is nonspendable or restricted as indicated on the governmental fund's balance sheet. The total fund balance in the prior year was $3,667,703, of which $2,444,625 represented unassigned fund balance.

Activity during the current fiscal year included the following key components:

- Total general fund revenues increased by $98,308 or 3% mainly due to increased property taxes of $192,251 (19%) and increased investment income of $163,030 (659%) partially offset by decreased licenses and permit revenue of $100,101 (41%) and intergovernmental revenue of $198,072 (21%). Property taxes increased due to increased property valuations, licenses and permit revenue declined due to slowing construction activity within the City and intergovernmental revenue declined due to nonrecurring grants received in the prior year.

- Total general fund expenditures increased by approximately $153,228 or 5% mainly caused by increased public safety expenditures of approximately $91,600 (7%) which was primarily caused by Hurricane Ian response costs (non-payroll related) of $43,400 and increased repair and maintenance expenses of $23,200.

The City's American Rescue Plan grant special revenue fund reported remaining unearned grant revenue on September 30, 2023 of $642,209 which is down from $1,401,812 in the prior year, a decrease of $759,603 which represents the revenue recognized in 2023 due to using these grant funds on allowable expenditures.

Proprietary funds: The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary fund have been addressed in the discussion of the City's business-type activities.

Fiduciary funds: The City uses fiduciary funds to report assets held in a trustee or agency capacity that are, therefore, not available to support City programs. General and Police Pension Trust Funds are presented in the fiduciary fund financial statements as well as a custodial fund.

General Fund Budgetary Highlights

The general fund's budgetary comparison schedule is presented in this report as required supplementary information. The City revised its original budget to reflect changes in expenditures.

Actual budgetary inflows and other sources (transfers) on a budgetary basis were greater than budgeted resources by $306,819 and actual expenditures on a budgetary basis were $292,419 less than budgeted resulting in an overall favorable budget variance of $599,238. The general fund budget was amended during the year, but these amendments did not change the fund's overall appropriations rather the amendments reallocated the original appropriations among the general fund departments. The amendments were to account for actual departmental budgetary outflows that exceeded the City's original estimate.

Capital Assets and Debt Administration

Capital assets – The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to $17,871,049 (net of accumulated depreciation). This investment includes land, buildings, vehicles, equipment (purchased and leased), furnishings, water and wastewater treatment system and stormwater system. This amount represents a net increase of $1,665,312 or 10% under last year which is the result of current year additions in excess of current year depreciation expenses . Information on the City's capital assets is summarized in the following table.

Capital Assets Activity
(net of accumulated depreciation)
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Land	$ 261,886	$ 226,886	$ 80,318	$ 80,318	$ 342,204	$ 307,204
Buildings	1,816,584	1,872,011	-	-	1,816,584	1,872,011
Intangible assets	-	-	105,300	105,300	105,300	105,300
Idle assets	-	-	216,537	216,537	216,537	216,537
Improvements other than buildings	836,734	877,976	-	-	836,734	877,976
Machinery and equipment	1,161,507	1,098,430	821,522	347,645	1,983,029	1,446,075
Infrastructure	1,238,599	973,083	-	-	1,238,599	973,083
Right to use leased equipment	13,785	18,559	-	1,325	13,785	19,884
Subscription assets	21,773	29,031	15,766	21,022	37,539	50,053
Water and wastewater system	-	-	8,857,864	9,592,318	8,857,864	9,592,318
Stormwater system	-	-	425,913	444,262	425,913	444,262
Construction in progress	3,929	-	1,993,032	301,034	1,996,961	301,034
Total	$ 5,354,797	$ 5,095,976	$ 12,516,252	$ 11,109,761	$ 17,871,049	$ 16,205,737

Additional information on the City's capital assets can be found in Note 5 of the Notes to the Financial Statements in this report.

Capital Assets and Debt Administration (concluded)

Long-Term Debt – At the end of the current fiscal year, the City had total debt outstanding in the amount of $1,848,522 in bonds and loans payable. The following table provides a comparative summary of the City's outstanding debt. This amount represents a net decrease of $264,905 or 13% under last year which is the result of current year principal payments. Information on the City's long-term debt is summarized in the following table:

Outstanding Debt

as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenue bonds payable	$ -	$ -	$ 1,391,530	$ 1,548,950	$ 1,391,530	$ 1,548,950
Loans payable	-	-	456,992	564,477	456,992	564,477
Total	$ -	$ -	$ 1,848,522	$ 2,113,427	$ 1,848,522	$ 2,113,427

Additional information on the City's long-term debt can be found in Note 6 of the Notes to the Financial Statements of this report.

Requests for information

This financial report is designed to provide a general overview of the City of Frostproof, Florida, finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Manager at the Frostproof City Hall, 111 West First Street, Frostproof, Florida 33843.

CITY OF FROSTPROOF, FLORIDA
Statement of Net Position
September 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,119,913	$ -	$ 3,119,913
Receivables, current:			
Customer accounts, net	-	267,132	267,132
Franchise and utility service taxes	67,558	-	67,558
Intergovernmental	94,156	1,754,804	1,848,960
Notes receivable	5,575	-	5,575
Internal balances	123,464	(123,464)	-
Restricted assets:			
Cash and cash equivalents	1,957,608	447,052	2,404,660
Net pension asset	77,540	83,127	160,667
Capital Assets:			
Non-depreciable	265,815	2,395,187	2,661,002
Depreciable, net	5,088,982	10,121,065	15,210,047
TOTAL ASSETS	10,800,611	14,944,903	25,745,514
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	822,730	153,300	976,030
LIABILITIES			
Accounts payable	158,791	126,193	284,984
Construction costs payable	-	723,543	723,543
Accrued payroll	18,659	16,094	34,753
Due to other governments	33,838	21,167	55,005
Unearned revenue	660,500	-	660,500
Accrued interest payable	-	5,821	5,821
Customer deposits	150	67,320	67,470
Long-term obligations:			
Due within one year	11,148	276,186	287,334
Due in more than one year	1,406,477	1,624,563	3,031,040
TOTAL LIABILITIES	2,289,563	2,860,887	5,150,450
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	251,320	226,907	478,227
NET POSITION			
Net investment in capital assets	5,317,550	10,651,165	15,968,715
Restricted for:			
Debt service	-	49,899	49,899
Pension benefits	77,540	83,127	160,667
Cultural activities	26,959	-	26,959
Stormwater management	-	161,487	161,487
Capital improvement	238,304	162,525	400,829
Building code enforcement	210,480	-	210,480
Transportation expenses	738,948	-	738,948
Fire protection services	79,454	-	79,454
Unrestricted	2,393,223	902,206	3,295,429
TOTAL NET POSITION	$ 9,082,458	$ 12,010,409	$ 21,092,867

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
Statement of Activities
For the year ended September 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grant and Contributions	Program Revenues: Capital Grant and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	$ 622,604	$ 169,818	$ -	$ 34,262	$ (418,524)	$ -	$ (418,524)
Law enforcement	1,211,058	8,546	-	-	(1,202,512)	-	(1,202,512)
Fire control	309,155	264,020	-	811,560	766,425	-	766,425
Building enforcement	107,803	127,238	-	-	19,435	-	19,435
Transportation	415,173	32,981	172,250	358,685	148,743	-	148,743
Culture/recreation	220,136	6,552	104,890	7,279	(101,415)	-	(101,415)
Community affairs	351,139	16,225	3,975	17,790	(313,149)	-	(313,149)
Interest	1,538	-	-	-	(1,538)	-	(1,538)
Total governmental activities	3,238,606	625,380	281,115	1,229,576	(1,102,535)	-	(1,102,535)
Business-type activities:							
Water and wastewater utility	2,042,645	1,572,036	-	1,840,867	-	1,370,258	1,370,258
Sanitation utility	544,688	562,258	-	-	-	17,570	17,570
Stormwater utility	102,297	63,376	-	9,413	-	(29,508)	(29,508)
Total business-type activities	2,689,630	2,197,670	-	1,850,280	-	1,358,320	1,358,320
TOTAL PRIMARY GOVERNMENT	$ 5,928,236	$ 2,823,050	$ 281,115	$ 3,079,856	(1,102,535)	1,358,320	255,785
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					1,191,749	-	1,191,749
Franchise and public service taxes					849,993	-	849,993
State shared revenue					417,975	-	417,975
Investment earnings					198,153	20,185	218,338
Other revenues					22,049	-	22,049
Gain on disposal of capital assets					-	651	651
TRANSFERS					(642,739)	642,739	-
Total general revenues and transfers					2,037,180	663,575	2,700,755
Change in net position					934,645	2,021,895	2,956,540
NET POSITION, beginning of year as previously reported					8,177,931	9,988,514	18,166,445
Restatement (Note 17)					(30,118)	-	(30,118)
NET POSITION, beginning of the year as restated					8,147,813	9,988,514	18,136,327
NET POSITION, end of year					$ 9,082,458	$ 12,010,409	$ 21,092,867

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
Balance Sheet – Governmental Funds
September 30, 2023

	General Fund	American Rescue Plan Grant Special Revenue Fund	Non-major Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 3,119,913	$ 663,463	$ 265,263	$ 4,048,639
Receivables, current:				
Franchise and utility service taxes	67,558	-	-	67,558
Intergovernmental	94,156	-	-	94,156
Notes receivable	5,575	-	-	5,575
Due from other funds	123,464	-	-	123,464
Restricted assets:				
Cash and cash equivalents	1,028,882	-	-	1,028,882
Total assets	$ 4,439,548	$ 663,463	$ 265,263	$ 5,368,274
LIABILITIES				
Accounts payable	146,856	11,935	-	158,791
Accrued wages	18,659	-	-	18,659
Due to other governments	33,838	-	-	33,838
Deposits	150	-	-	150
Unearned revenue	18,291	642,209	-	660,500
Total liabilities	217,794	654,144	-	871,938
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	27,484	-	-	27,484
FUND BALANCE				
Nonspendable:				
Interfund receivable	123,464	-	-	123,464
Restricted for:				
Cultural activities	-	-	26,959	26,959
Building code enforcement	210,480	-	-	210,480
Capital improvements	-	-	238,304	238,304
Transportation improvements	738,948	-	-	738,948
Fire protection services	79,454	-	-	79,454
Unassigned	3,041,924	9,319	-	3,051,243
Total fund balances	4,194,270	9,319	265,263	4,468,852
Total liabilities, deferred inflows and fund balance	$ 4,439,548	$ 663,463	$ 265,263	$ 5,368,274

The accompanying notes are an integral part of these financial statements

Amounts reported for governmental activities in the statement of net position are different because:

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	4,468,852
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,354,797
The net pension asset is not an available resource and, therefore, is not reported in the governmental funds.		77,540
Revenues not received within the "availability" period are deferred at the fund level and recognized in the statement of activities.		27,484
Deferred outflows of resources represent a decrease in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.		822,730
Deferred inflows of resources represent an increase in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.		(251,320)
Compensated absences, leases or subscriptions payable and net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
This is the year-end compensated absences liability.		(35,810)
This is the year-end net pension liability.		(1,344,568)
This is the year-end leases payable.		(14,371)
This is the year-end subscription payable.		(22,876)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	9,082,458

CITY OF FROSTPROOF, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the year ended September 30, 2023

	General Fund	American Rescue Plan Grant Special Revenue Fund	Non-major Governmental Funds	Total
REVENUES:				
Taxes:				
Property	$ 1,191,749	$ -	$ -	$ 1,191,749
Franchise and utility taxes	888,935	-	-	888,935
Licenses and permits	141,418	-	119,633	261,051
Intergovernmental revenue	733,255	759,603	-	1,492,858
Charges for services	456,247	-	-	456,247
Fines and forfeitures	31,878	-	-	31,878
Investment income	187,753	9,319	-	197,072
Other	57,133	-	1,581	58,714
Total revenues	3,688,368	768,922	121,214	4,578,504
EXPENDITURES:				
Current:				
General government	578,955	-	-	578,955
Public safety	1,324,259	27,706	-	1,351,965
Transportation	312,189	-	-	312,189
Culture	199,945	-	450	200,395
Community affairs	211,266	16,082	-	227,348
Capital outlay	312,280	73,076	62,038	447,394
Debt service	12,080	-	-	12,080
Total expenditures	2,950,974	116,864	62,488	3,130,326
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	737,394	652,058	58,726	1,448,178
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(642,739)	-	(642,739)
TOTAL OTHER FINANCING SOURCES (USES)	-	(642,739)	-	(642,739)
NET CHANGE IN FUND BALANCE	737,394	9,319	58,726	805,439
FUND BALANCE, beginning of year as previously reported	3,667,703	-	25,828	3,693,531
Restatement (Note 17)	(210,827)	-	180,709	(30,118)
FUND BALANCE, beginning of year - restated	3,456,876	-	206,537	3,663,413
FUND BALANCE, end of year	$ 4,194,270	$ 9,319	$ 265,263	$ 4,468,852

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities
For the year ended September 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:		
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	805,439
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
This is the amount of capital assets recorded in the current period.		605,413
This is the amount of depreciation recorded in the current period.		(345,977)
This is the book value of dispositions recorded in the current period.		(615)
Revenues recognized in the statement of activities but reported as a deferred inflow of resources in the governmental funds because the revenue was not considered available.		27,484
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
This is the change in accrued compensated absences during the year.		2,685
This is the principal paid on leases payable during the year.		4,387
This is the principal paid on subscriptions payable during the year.		6,155
Pension expense is reported in the statement of activities which differs from pension expenditures as reported in the governmental funds:		
This amount represents the change in deferred inflows related to pensions.		352,490
This amount represents the change in deferred outflows related to pensions.		513,792
This amount represents the change in the net pension asset.		(28,827)
This amount represents the change in the net pension liability.		(1,007,781)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	934,645

The accompanying notes are an integral part of these financial statements

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ -
Customer receivables, net	267,132
Intergovernmental receivables	1,754,804
Total current assets	2,021,936
Noncurrent assets:	
Restricted cash and cash equivalents	447,052
Net pension asset	83,127
Capital assets:	
Non-depreciable	2,395,187
Depreciable, net	10,121,065
Total noncurrent assets	13,046,431
Total assets	15,068,367
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	153,300
LIABILITIES	
Current liabilities:	
Accounts payable	126,193
Construction costs payable	723,543
Accrued wages	16,094
Due to other governments	21,167
Due to other funds	123,464
Bonds, notes and leases payable, current	276,186
Total current liabilities	1,286,647
Noncurrent liabilities:	
Liabilities payable from restricted assets:	
Customer deposits	67,320
Interest payable	5,821
Compensated absences	35,662
Bonds, notes and leases payable, noncurrent portion	1,588,901
Total noncurrent liabilities	1,697,704
Total liabilities	2,984,351
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	226,907
NET POSITION	
Net investment in capital assets	10,651,165
Restricted for:	
Debt service	49,899
Pension benefits	83,127
Stormwater management	161,487
Capital improvements	162,525
Unrestricted	902,206
Total net position	$ 12,010,409

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	
Water and wastewater (pledged as security for revenue bonds)	$ 1,572,036
Stormwater	63,376
Assessment and franchise fees - Sanitation	562,258
Total operating revenues	2,197,670
OPERATING EXPENSES:	
Personnel services	510,240
Contract services	155,125
Insurance	56,437
Materials and supplies	137,576
Repair and maintenance	231,564
Sanitation fees	496,895
Utilities	95,975
Miscellaneous	24,363
Depreciation	930,034
Total operating expenses	2,638,209
OPERATING LOSS	(440,539)
NONOPERATING REVENUE (EXPENSE)	
Interest expense	(51,421)
Gain (loss) on disposal of property	651
Investment revenue	20,185
Total nonoperating revenues (expense)	(30,585)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(471,124)
CAPITAL CONTRIBUTIONS	
Grants	1,754,804
Impact fees	95,476
Total capital contributions	1,850,280
TRANSFERS	642,739
CHANGE IN NET POSITION	2,021,895
NET POSITION, beginning of year	9,988,514
NET POSITION, end of year	$ 12,010,409

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
Statement of Cash Flows – Proprietary Fund
For the year ended September 30, 2023

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 2,221,380
Payments to suppliers	(1,255,840)
Payments for salaries and benefits	(502,552)
Net cash flows from operating activities	462,988
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from other funds, net of change in due to/from other funds	766,203
Net cash flows from noncapital financing activities	766,203
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(1,611,990)
Principal paid on long-term debt	(270,595)
Interest paid on borrowings	(52,426)
Payments from disposal of assets	(341)
Impact fees received	95,476
Capital grants received, net of change in related receivable	144,025
Net cash flows from capital and related financing activities	(1,695,851)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on invested funds	20,185
Net cash flows from investing activities	20,185
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(446,475)
CASH AND CASH EQUIVALENTS, beginning of year	893,527
CASH AND CASH EQUIVALENTS, end of year	$ 447,052
As shown in the Accompanying Financial Statements	
Cash and cash equivalents	$ -
Restricted cash and cash equivalents	447,052
Total cash and cash equivalents	$ 447,052
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (440,539)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	930,034
(Increase) decrease in accounts receivable	26,820
(Increase) decrease in amounts due from other governments	21,167
Increase (decrease) in customer deposits	(3,110)
Increase (decrease) in accounts payable	(57,905)
Increase (decrease) in accrued wages and comp absences	17,424
Increase (decrease) in pension elements	(30,903)
Net cash flows from operating activities	$ 462,988
Noncash financing and investing activities:	
None	-

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
Statement of Fiduciary Net Position – Fiduciary Funds
September 30, 2023

	Pension Trust Funds	Custodial Fund
ASSETS		
Cash	$ -	$ 52,927
Investments	5,763,894	-
Receivables:		
Due from other governments	52,534	-
Due from broker	2,682	-
Accrued interest and dividends	10,264	-
Prepaid items	29,900	-
Total assets	5,859,274	52,927
LIABILITIES		
Accounts payable:		
Due to broker	6,691	-
Due to other governments	-	52,927
Total liabilities	6,691	52,927
NET POSITION		
Restricted for pension benefits	$ 5,852,583	$ -

The accompanying notes are an integral part of these financial statements

CITY OF FROSTPROOF, FLORIDA
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the year ended September 30, 2023

	Pension Trust Funds	Custodial Fund
ADDITIONS		
Contributions:		
Employer:		
City	$ 100,173	$ -
Employee	29,253	-
Fee collected on behalf of other governments	-	260,469
Total contributions	129,426	260,469
Investment earnings:		
Interest and dividends	92,010	-
Net increase in the fair value of investments	485,094	-
Total investment earnings	577,104	-
Less investment expense	33,542	-
Net investment earnings	543,562	-
Total additions	672,988	260,469
DEDUCTIONS		
Benefits	368,742	-
Refund of contributions	2,375	-
Administrative expenses	41,594	-
Remittance of fees to other governments	-	260,469
Total deductions	412,711	260,469
CHANGE IN NET POSITION	260,277	-
NET POSITION, beginning of year	5,592,306	-
NET POSITION, end of year	$ 5,852,583	$ -

The accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its statements (GASBS) and Interpretations (GASBI). The more significant accounting policies established by GAAP and used by the City are discussed below.

A. REPORTING ENTITY

The City of Frostproof, Florida (the "City") is a political subdivision of the State of Florida created by a Home Rule Charter adopted by Ordinance 342 on May 9, 1977 and approved by referendum on May 17, 1977, under the municipal home rule powers act, Florida Statutes Chapter 166. The Charter was amended most recently by referendum on April 3, 2007. The City operates under a council-city manager form of government. These financial statements include all of the funds, organizations, agencies, and departments of the City (the "primary government") and any legally separate entities ("component units") required by U.S. GAAP to be included in the reporting entity.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Criteria for determining if other entities are potential component units of the City which should be reported with the City's basic financial statements are identified and described in the GASB *Codification of Governmental Accounting and Financial Reporting Standards.* The application of these criteria provides for identification of any entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. A blended component unit, although legally separate, is in substance part of the City's operations and presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds are combined with those of the primary government for financial reporting purposes.

Based on these criteria, the financial reporting entity reports two fiduciary component units which are legally separate from the City, but are so intertwined that they are, in substance the same as the City. They are reported as part of the City and blended with the fiduciary funds of the City and are listed below:

- General Employees' Pension Trust Fund established pursuant to Ordinance No. 411.
- Police Officers' Pension Trust Fund established pursuant to Chapter 185, Florida Statutes and Ordinance No. 00-O-4.

B. BASIS OF PRESENTATION

The basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide Financial Statements - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The City's fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation.

The City does not allocate the interest expense of the governmental activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Cod. Sec 2200 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column. The City's fiduciary funds are presented in the fund financial statements by type but as noted above are not included in the government-wide statements.

Funds are classified into three categories: governmental, proprietary and fiduciary. The funds used by the City are as follows:

The City reports the following major governmental funds:

- **General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as public safety, public works, street construction and maintenance, culture and recreation, and general administration are provided by the general fund.
- **American Rescue Plan Grant Special Revenue Fund** - This fund was established to account for the collection and expenditure of the Coronavirus State and Local Recovery funds, a part of the American Rescue Plan Act.

The City reports the following major proprietary fund:

- **Enterprise Fund** – The Enterprise Fund is used to account for operations that are financed and operated in a manner like private business enterprises where the costs of providing services, including capital costs, are to be recovered with fees and charges for providing sanitation, potable water, stormwater management and, wastewater collection, treatment and disposal to area residents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

In addition, the City reports the following fund types:

- **Special Revenue Funds** – Special Revenue Funds are a type of governmental fund used to account for revenue sources that are usually restricted by law, regulation, or administrative action. The City has two non-major special revenue fund.
- **Pension Trust Funds** – Pension Trust Funds are a type of fiduciary fund used to account for the activities of the general employees' pension and the police officers' pension plans, which accumulate resources for defined benefit payments to qualified employees.
- **Custodial Fund** – The custodial fund is a type of fiduciary fund which is used to account for impact fees collected on behalf of Polk County, Florida (the "County"). These funds are collected on behalf of the County as new construction takes place within the City and remitted to the County monthly.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise and public service taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e. revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions and voluntary nonexchange transactions are reported as liabilities until the eligibility requirements (excluding time requirements) are met and as deferred inflows if received before time requirements are met and all other eligibility requirements have been satisfied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The proprietary fund is reported using the *economic resources measurement* focus and the *accrual basis of accounting.* Proprietary fund operating revenues generally result from producing and providing sanitation, potable water, stormwater management and, wastewater collection, treatment and disposal services to area residents. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

CASH AND INVESTMENTS

- **Cash and Cash Equivalents** – For purposes of the statement of cash flows for the proprietary fund types, cash and equivalents includes cash on hand, bank demand deposits, certificates of deposit, money-market and savings accounts and equity in pooled cash and investments. Equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less.
- **Pooled Cash and Investments** – The City maintains an accounting system which centralizes the investment function of all funds. Each fund's "share" of these pooled cash and investments is included in cash and cash equivalents on the accompanying balance sheets/statements of net position. Investment earnings are distributed monthly in accordance with the participating fund's relative percentage of investments.
- **Restricted Cash and Investments** – Represent equity in pooled cash and investments and separately identified investments that are legally restricted to specific uses by external parties or enabling legislation. The City generally uses restricted resources first when an expenditure/expense is incurred for which both restricted and unrestricted resources are available.
- **Investments** – All investments, including those of the pension trust funds, are stated at fair value, which is either a quoted price or the best available estimate.

RECEIVABLES – In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include grants, sales, utility and franchise taxes. Receivables for business-type activities represent grants and unpaid bills for utility services. The unbilled utility service fees represent the estimated value of service from the last billing date to year-end and totaled $62,128 on September 30, 2023. Allowances for uncollectible accounts receivable are based upon historical trends. Receivables are reported net of allowances for uncollectible accounts receivable where applicable. No allowance was recorded as all receivables were deemed collectible.

INTERFUND BALANCES – Transactions between funds that result in amounts owed are referred to as either "due from/to other funds" for current interfund loans or "advances from/to other funds" for noncurrent interfund loans. Amounts receivable from, or payable to, other funds are reflected in the account of the fund until liquidated. Any remaining balances are reported in the government-wide statements as "internal balances".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

INVENTORY – Inventories of expendable supplies are recorded at year-end, if material. These inventories are reported at cost on a first-in, first-out basis. They are recorded as expenditures at the time individual inventory items are used.

CAPITAL ASSETS - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, infrastructure, and furniture and equipment. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting system) acquired prior to October 1, 2003, have not been reported. Capital assets are defined by City policy as personal or real property or improvements with an individual cost of $1,000 or more ($5,000 for infrastructure assets) and an estimated useful life more than one year. Such assets are recorded at historical cost, if purchased and at acquisition value at date of gift, if donated**.** Major additions are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense**.**

In the government-wide statements, capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Depreciation expense is recorded as an expense of each applicable governmental function in the statement of activities, with accumulated depreciation netted with capital assets in the statement of net position. Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

Assets	Years
Land improvements	15-25
Buildings	25-40
Utility system	20-50
Machinery, equipment and furniture	5-15
Vehicles	7-15
Infrastructure	25-50
Subscription assets	Variable
Right to use leased assets	Variable

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

INTEREST COSTS - Interest costs incurred before the end of a construction period is a financing activity separate from the related capital asset and interest costs incurred before the end of the construction period are recognized as an expense in the period in which the cost is incurred. These interest costs are not capitalized as part of the historical cost of the capital asset.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net assets that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until that time.

The City has one item that qualifies for reporting as deferred outflows of resources. This item is the deferred outflows related to pensions. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Cod. Sec. P20 and will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The City has one item that qualifies for reporting as deferred inflows of resources. This item is the deferred inflows related to pensions. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Cod. Sec. P20 and will be recognized as a reduction to pension expense in future reporting years.

LONG-TERM OBLIGATIONS - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Debt issuance costs are reported as an expense in the period incurred. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is the shorter. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

COMPENSATED ABSENCES – The City personnel policy provides for the payment of accrued vacation and sick pay upon separation of its employees. The liability for these compensated absences is recorded as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured because of employee resignations, terminations or retirements.

INTERFUND TRANSFERS – Permanent reallocation of resources between the funds of the City is classified as interfund transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statement presentation.

CONNECTION FEES AND CAPACITY FEES – Water connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Capacity fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received, which reserve capacity in the City's future water facilities, are reported as capital contributions when the requirements of the Developer agreements are met by the City.

LEASES - *Lessee*: The City is the lessee for several noncancellable leases of equipment. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: As a lessor, at the commencement of a lease the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses the stated interest rate in the lease agreement if available and if not, will attempt to calculate an interest rate implicit within the lease agreement and if that is not possible will mainly use a high-quality municipal bond rate based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices nearest to the date of lease commencement. The City reserves the right to use other discount rates if the circumstances require it.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset, receivable, liability and/or deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease liability.

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA) - The City recognizes a subscription liability and an intangible right-to-use asset (subscription asset) in the government-wide financial statements when the initial, individual value of the subscription asset is deemed material to the financial statements.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at the commencement of the subscription term and any capitalizable implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITA include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for the subscription liability calculation and generally uses the United States Bank Prime rate plus 1% as of the date the agreement is executed.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments that are fixed in substance, any contract incentives receivable from the vendor and any other payments associated with the contract that are reasonably certain of being required based on an assessment of all relevant factors.

  Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term obligations on the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

EQUITY CLASSIFICATIONS -

Government-wide Statements - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b) Restricted net position – This component consists of net position whose use is subject to external constraints (such as through debt covenants) by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

c) Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted net position is available for use, it is the City's policy to use restricted net position first, and then unrestricted net position as they are needed.

Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. Spendable resources are to be shown as restricted, committed, assigned and unassigned as considered appropriate in the City's circumstances. The following classifications describe the relative strength of the spending constraints:

a) Nonspendable — amounts that cannot be spent either because they are in nonspendable form (such as inventory) or because they are legally or contractually required to be maintained intact.

b) *Restricted* — amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

c) *Committed* — amounts constrained to specific purposes by formal action (ordinance) of the City using its highest level of decision-making authority (the City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action (ordinance) to remove or change the constraint.

d) *Assigned* — amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager through the budgetary process. The City Council has not established a formal policy regarding authorization to assign fund balance amounts for a specific purpose.

e) *Unassigned* — amounts that represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

The City uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

USE OF ESTIMATES – The preparation of the basic financial statements in conformity with generally accepted accounting principles, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the basic financial statements. Actual results could differ from estimates.

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida Law, the assessment of all properties and the collection of all county, municipal, special districts and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City Council prior to October 1 of each year and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, the County, independent districts and the Polk County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2023 was 6.5530.

All taxes are due and payable on November 1 of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTE 3 - BUDGETARY LAW AND PRACTICE

The City charter establishes the fiscal year as the twelve-month period beginning October 1st. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which they City Manager subsequently submits a proposed budget of estimated expenditures and revenues to the City Council.

Upon receipt of the budget estimates, the City Council holds public hearings on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the City.

On or before September 30th, the budget is legally enacted for the General and Enterprise Funds through the passage of an ordinance. City Council approval is required to alter the original budget of any fund or department and this approval must be in the form of an ordinance. The legal level of budgetary control is therefore established at the department level which is the level at which expenditures may not exceed legal appropriations.

Budgetary information is presented as Required Supplementary Information. The budgetary comparison schedule for the General Fund can be found by referencing the table of contents of this report.

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk-Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's cash deposits may not be returned to the City.

The City's deposits (cash and certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution. All deposits are held in *qualified public* depositories. These depositories participate in a shared risk collateral pool overseen by the State of Florida and established by Florida Statute. The State of Florida collateral pool is a multiple financial institution pool which provides for additional amounts to be assessed to the members of the pool if the value of the pool's collateral is inadequate to cover a loss. The amounts covered by the pool are considered *insured* for financial reporting disclosure requirements. Because of this arrangement, management believes the City's deposits are not exposed to custodial credit risk.

On September 30, 2023, the carrying amount of the City's deposits and investments (excluding fiduciary funds) is summarized below:

Cash and cash equivalents:	
Cash on hand	$ 400
Deposits in financial institutions:	
Insured or fully collateralized bank deposits	5,513,360
FL CLASS governmental investment pool	10,813
Total cash and cash equivalents	$ 5,524,573

The FL CLASS investment pool is similar to a money market investment that strives to maintain a net asset value of $1.00 per share. FL CLASS does not meet all the specific criteria outlined in GASB Cod. Sec. In5.104, therefore the City is required to measure the FL CLASS investments at fair value. FL CLASS reports the amortized cost of the pool investments which approximates fair value. Furthermore, because FL CLASS is an external investment pool, the City's investment in FL CLASS is not required to be categorized within the fair value hierarchy prescribed by GAAP.

The pool is rated AAAm by Standard and Poor and the pool is not exposed to custodial credit risk because the investments are not evidenced by securities that exist in physical or book entry form. The dollar weighted average days to maturity of FLCLASS on September 30, 2023 is 43 days.

NOTE 4 – CASH AND INVESTMENTS (cont…)

Restricted Cash

Certain cash and cash equivalents are legally restricted in the statement of net position on September 30, 2023 as follows:

	Governmental Activities	Business-type Activities
Capital improvements - transportation	$ 738,948	$ -
Cultural services	26,959	-
American Resue Plan Act - Coronavirus State and Local Fiscal Recovery Funds	663,463	-
Fire protection services	79,454	-
Building code enforcement	210,480	-
Impact fees:		
Water	-	64,500
Sewer	-	81,375
Stormwater	-	16,650
Fire protection	73,954	-
General government	39,737	-
Library	23,230	-
Police	11,748	-
Parks and recreation	24,723	-
Transportation	29,121	-
Vehicles	35,791	
Stormwater management	-	161,487
Customer deposits	-	67,320
Debt service	-	55,720
Total restricted cash	$ 1,957,608	$ 447,052

Investments

The City does not have a formal investment policy for dealing with investment risks and therefore follows the guidance in the Florida Statutes. The types of investments in which the City may invest are governed by section 218.415, Florida Statutes. According to State Statutes, the City is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury.

The pension trust funds have individual investment policies which set forth the allowable mix and type of investments allowed including corporate or other bonds and common stock with certain limitations.

NOTE 4 – CASH AND INVESTMENTS (cont…)

Investments (cont…)

	Fiduciary Funds	Total	Portfolio
Investment Type:			
Money market funds	$ 126,642	$ 126,642	2.20%
U.S. treasuries	515,894	515,894	8.95%
U.S. Gov't agencies	45,570	45,570	0.79%
FMPTF (a)	1,736,871	1,736,871	30.13%
Corporate bonds	627,728	627,728	10.89%
Corporate stocks	2,308,335	2,308,335	40.05%
Equity mutual fund	377,372	377,372	6.55%
Real estate investment trusts	25,482	25,482	0.44%
Total investments	$ 5,763,894	$ 5,763,894	100.00%

(a) The Florida Municipal Pension Trust Fund (FMPTF) is an external investment pool administered by the Florida League of Cities, Inc. The City has a beneficial interest in the portfolio, not in the individual securities held within each portfolio. This fund's investments are targeted for a 60% allocation in equity securities and the remaining 40% in bonds and real estate investments. Separately issued financial statements may be obtained by contacting the administrator for the FMPTF at 301 Bronough Street, Suite 300, Tallahassee, Florida 32301.

Investments – Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City (excluding pension trust fund investments) reports no investments on September 30, 2023.

The City's Pension Trust Funds have the following recurring fair value measurements as of September 30, 2023:

General Employees' Pension Trust Fund:

The General Employees' Pension Trust Fund is a participating member of the FMPTF. All assets with the FMPTF are invested through the Florida Municipal Investment Trust (FMIvT) for the benefit of the participating members. The FMIvT, administered by the Florida League of Cities, Inc., is an interlocal governmental entity created under the laws of the State of Florida as a local government investment pool and is considered an external investment pool for GASB purposes and therefore, the City is not required to categorize the positions in the pool within the fair value hierarchy as established by U.S. GAAP. Redemptions from the FMIvT are permitted monthly upon advance written notification.

NOTE 4 – CASH AND INVESTMENTS (cont…)

As of September 30, 2023, the carrying amount of the General Employees' Pension Trust Fund's investments with the FMIvT were as follows:

FMIvT Cash Fund	$ 24,316
FMIvT Broad Market High Quality Bond Fund	253,583
FMIvT Core Plus Fund	236,214
FMIvT Diversified Large Cap	423,796
FMIvT Diversified Small to Mid Cap Fund	241,425
FMIvT International Equity	335,216
FMIvT Core Real Estate	222,321
Total	$ 1,736,871

Police Officers' Pension Trust Fund:

		Fair Value Measurements Using		
	September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by fair value level				
Debt securities				
U.S. Treasury securities	$ 515,894	$ -	$ 515,894	$ -
U.S. Agencies	45,570	-	45,570	-
Corporate bonds	627,728	-	627,728	-
Total debt securities	1,189,192	-	1,189,192	-
Equity securities				
Domestic	1,723,522	1,723,522	-	-
Foreign	584,813	584,813	-	-
Real estate	25,482	25,482	-	-
Mutual fund	377,372	377,372	-	-
Total equity securities	2,711,189	2,711,189	-	-
Total investments by fair value level	3,900,381	$ 2,711,189	$ 1,189,192	$ -
Investments measured at amortized cost				
Money market mutual funds	126,642			
Total investments	$ 4,027,023			

Debt and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 4 – CASH AND INVESTMENTS (concluded)

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that a change in interest rates could adversely affect an investment's fair value. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy regarding interest rate risk, credit risk or foreign currency risk.

The schedule below summarizes the fixed income investments by credit rating and maturity (a measure of credit risk and interest rate risk).

Investment Type	Credit Rating (a)	Fair Value	Weighted Average Maturity
General Employees' Pension Trust Fund:			
FMIvT Broad Market High Quality Bond Fund	AAf/S4	253,583	6.90
FMIvT Core Plus Fund	Not Rated	236,214	8.03
		$ 489,797	
Police Officers' Pension Trust Fund:			
U.S. Treasury securities	AAA	515,894	2.92
U.S. Agencies	AA+	45,570	2.23
Corporate bonds	BBB+ to AAA	627,728	2.22
		$ 1,189,192	

(a) The credit rating service listed above is S&P except for the FMIvT investments which is rated by Fitch

na - not available

Concentration of Credit Risk

Concentration of credit risk is defined as when five percent or more of the total investments are invested with one issuer. Investments issued or explicitly guaranteed by the United States government and investments in mutual funds or pools are excluded. There were no concentrations to disclose for the year ended September 30, 2023.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2023 was as follows:

	Balance October 1, 2022(*)	Transfers	Increases	Decreases	Balance September 30, 2023
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 226,886	$ -	$ 35,000	$ -	$ 261,886
Construction-in-progress	-	-	3,929	-	3,929
Total capital assets, not being depreciated	226,886	-	38,929	-	265,815
Capital assets, being depreciated:					
Buildings	4,415,918	-	19,715	-	4,435,633
Improvements, other than buildings	2,009,242	(9,227)	27,205	-	2,027,220
Equipment	3,248,396	9,227	196,307	(25,929)	3,428,001
Infrastructure	1,384,292	-	323,257	-	1,707,549
Subscription assets	29,031	-	-	-	29,031
Right to use leased equipment	23,333	-	-	-	23,333
Total capital assets, being depreciated	11,110,212	-	566,484	(25,929)	11,650,767
Less accumulated depreciation for:					
Buildings	(2,543,907)	235	(75,377)	-	(2,619,049)
Improvements, other than buildings	(1,131,266)	1,710	(60,930)	-	(1,190,486)
Equipment	(2,149,966)	(1,945)	(139,897)	25,314	(2,266,494)
Infrastructure	(411,209)	-	(57,741)	-	(468,950)
Subscription assets	-	-	(7,258)	-	(7,258)
Right to use leased equipment	(4,774)	-	(4,774)	-	(9,548)
Total accumulated depreciation	(6,241,122)	-	(345,977)	25,314	(6,561,785)
Total capital assets being depreciated, net	4,869,090	-	220,507	(615)	5,088,982
Governmental activities capital assets, net	$ 5,095,976	$ -	$ 259,436	$ (615)	$ 5,354,797
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 80,318	$ -	$ -	$ -	$ 80,318
Construction-in-progress	301,034	(87,585)	1,779,583	-	1,993,032
Intangible assets	105,300	-	-	-	105,300
Idle assets	216,537	-	-	-	216,537
Total capital assets, not being depreciated	703,189	(87,585)	1,779,583	-	2,395,187
Capital assets, being depreciated:					
Water and wastewater system	20,369,787	-	67,920	(35,666)	20,402,041
Stormwater system	838,114	-	-	-	838,114
Machinery and equipment	1,121,218	87,585	488,030	(23,291)	1,673,542
Subscription assets	21,022	-	-	-	21,022
Right to use leased equipment	2,651	-	-	-	2,651
Total capital assets, being depreciated	22,352,792	87,585	555,950	(58,957)	22,937,370
Less accumulated depreciation for:					
Water and wastewater system	(10,777,469)	-	(800,780)	34,072	(11,544,177)
Stormwater system	(393,852)	-	(20,935)	2,586	(412,201)
Machinery and equipment	(773,573)	-	(101,738)	23,291	(852,020)
Subscription assets	-	-	(5,256)	-	(5,256)
Right to use leased equipment	(1,326)	-	(1,325)	-	(2,651)
Total accumulated depreciation	(11,946,220)	-	(930,034)	59,949	(12,816,305)
Total capital assets being depreciated, net	10,406,572	87,585	(374,084)	992	10,121,065
Business-type activities capital assets, net	$ 11,109,761	$ -	$ 1,405,499	$ 992	$ 12,516,252

(*) – the previously reported balances above on October 1, 2022 have been restated due to the implementation of GASB Statement No. 96. See Note 17 for more detail.

NOTE 5 - CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:		
General government	$	46,792
Public safety		85,522
Transportation		113,822
Culture		37,875
Community affairs		61,966
Total depreciation expense - governmental activities	$	345,977

Business-type Activities:		
Water and wastewater system	$	899,734
Stormwater system		28,137
Sanitation		2,163
Total depreciation expense - business-type activities	$	930,034

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NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2023:

	Balance October 1, 2022 (*)	Increases	Decreases	Balance September 30, 2023	Amounts Due within One Year
Governmental Activities:					
Long-term liabilities:					
Other liabilities:					
Net pension liability	$ 336,787	$ 1,007,781	$ -	$ 1,344,568	$ -
Compensated absences, net	38,495	-	(2,685)	35,810	-
Subscription liability	29,031	-	(6,155)	22,876	6,551
Leases payable	18,758	-	(4,387)	14,371	4,597
Total long-term liabilities	$ 423,071	$ 1,007,781	$ (13,227)	1,417,625	$ 11,148
Less amounts due in one year				(11,148)	
Net long-term liabilities in excess of one year				$ 1,406,477	
Business-type Activities:					
Long-term liabilities:					
Revenue bonds payable					
Water and sewer system refunding revenue bond, series 2012	$ 812,931	$ -	$ (91,005)	$ 721,926	$ 93,810
Water and sewer system refunding revenue bond, series 2017	736,019	-	(66,415)	669,604	67,911
Loans payable					
Florida Department of Environmental Protection loan DW531010	9,484	-	(1,055)	8,429	1,054
Florida Department of Environmental Protection loan WW60007L	554,993	-	(106,430)	448,563	108,667
Total revenue and loans payable	2,113,427	-	(264,905)	1,848,522	271,442
Other liabilities:					
Subscription liability	21,022	-	(4,457)	16,565	4,744
Leases payable	1,233	-	(1,233)	-	-
Compensated absences, net	21,665	13,997	-	35,662	-
Total long-term liabilities	$ 2,157,347	$ 13,997	$ (270,595)	1,900,749	$ 276,186
Less amounts due in one year				(276,186)	
Net long-term liabilities in excess of one year				$ 1,624,563	

(*) – the previously reported balances above on October 1, 2022 have been restated due to the implementation of GASB Statement No. 96. See Note 17 for more detail.

Notes to Long-Term Obligations Table

Long term liabilities, including accumulated compensated absences, are typically liquidated by the individual fund to which the liability is directly associated. All of the City's long-term debt (revenue bonds and loans payable) arose through direct borrowings or direct placements.

Business-Type Activities:

Revenue Bonds Payable:

- The **2012 Series Water and Sewer Refunding Revenue Bond** was issued on August 21, 2012 in the amount of $1,583,306 (par value) and is secured by the net revenues of the water and wastewater systems and any legally available non-ad valorem revenues of the City. The bond bears interest at 3.06% and payments are due in annual installments, including principal and interest, in the amount of $115,150 with the final payment due in September 2030.

NOTE 6 - LONG-TERM OBLIGATIONS (cont…)

Notes to Long-Term Obligations Table (cont…)

The bond issue requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The City is also required to provide net water and wastewater revenues sufficient to maintain minimum debt service coverage of 120%.

- The **2017 Series Water and Sewer Refunding Revenue Bond** was issued June 23, 2017 to refund the United States Department of Agriculture, Rural Utilities Service Loan in the amount of $1,050,937. The bond bears interest at 2.24% and payments are due semiannually on each March 1 and September 1, including principal and interest, with a final maturity on September 1, 2032. The bond requires the maintenance of a sinking fund. The 2017 Water and Sewer Refunding Bond is on parity with the 2012 Series Water and Sewer Revenue Refunding Bond.

Loans Payable:

- The **State of Florida Department of Environmental Protection Loan WW60007L** was issued in the amount of $2,000,000 and provided funds for the collection, transmission and treatment of the wastewater system in the northwest and southeast quadrants of the City and for the planning and design of new collector sewers. The loan bears interest at 2.09% and payments are due in semiannual installments, including principal and interest installments of $58,739 with the final payment due in June 2027.
- The **State of Florida Department of Environmental Protection Loan DW531010** was issued in the amount of $9,580 and provided funds to increase the wastewater system disposal capacity. The loan has a zero percent interest rate and payments are due in semiannual installments of $527 with the final payment due in February 2032.
- The **State of Florida Department of Environmental Protection Loans** are secured by the net revenues of the water and wastewater system. This loan is subordinate to the **2012 and 2017 Water and Sewer Refunding Revenue Bonds** which are secured by the same revenue. These loans require the maintenance of sinking and reserve funds at various specified amounts and require a minimum debt service coverage of 115% and 120%, respectively.

Remedies: All of the City's long-term debt obligations allow for the obligors/lenders to take whatever legal actions are necessary to collect the amounts due in the event of default. The following debt obligations have additional remedies in the event of default as follows:

- **2017 Water and Sewer Refunding Revenue Bond** – The lender may, at their option, declare the entire principal amount outstanding and accrued interest immediately due and payable and may take possession of the water and sewer system and repair, maintain and operate or rent it.
- **State of Florida Department of Environmental Protection Loans** – The lender may request a court to appoint a receiver to manage the City's water and sewer systems, intercept the delinquent amount from any unobligated funds due to the City under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due, notify financial market credit rating agencies and potential creditors, and may accelerate the repayment schedule or increase the interest rate on the unpaid principal of the loan to as much as 1.667 times the loan interest rate.

NOTE 6 - LONG-TERM OBLIGATIONS (concluded)

Lease payable – The following is information related to the City's leases payable on September 30, 2023:

	Balances as of September 30, 2023							
Leased asset(s)	Cost	Accumulated Amortization	Lease Payable	Payment Frequency	Payment Amount	Interest Rate	Inception Year	Lease Term at Inception (months)
Multifunction copiers	$ 19,736	$ (7,750)	$ 12,280	Monthly	$ 357	4.7%	2020	72
Postage machine	3,597	(1,798)	2,091	Quarterly	222	4.7%	2021	60
Governmental activities	23,333	(9,548)	14,371					
Document inserting system	2,651	(2,651)	-	Quarterly	378	4.7%	2018	60

Maturities: Annual requirements to repay all long-term bonds and notes payable for business-type activities as of September 30, 2023, are as follows:

	Business-type Activities		
Fiscal Year Ending	Principal	Interest	Total
2024	$ 271,442	$ 44,763	$ 316,205
2025	278,147	38,057	316,204
2026	285,025	31,180	316,205
2027	292,077	24,127	316,204
2028	181,220	17,507	198,727
2029-2033	540,611	22,946	563,558
Total	$ 1,848,522	$ 178,580	$ 2,027,103

Annual requirements to repay all leases payable for the governmental and business-type activities as of September 30, 2023, are as follows:

	Governmental Activities		
Fiscal Year Ending	Principal	Interest	Total
2024	$ 4,597	$ 576	$ 5,173
2025	4,818	356	5,174
2026	4,600	129	4,729
2027	356	1	357
Total	$ 14,371	$ 1,062	$ 15,433

NOTE 7 – PLEDGED REVENUES

Debt service Coverage – The City is required by the loan covenants of the water and wastewater revenue bonds to provide debt service coverage for bond payments of 120% for the year. The Florida Department of Environmental Protection (FDEP) also requires coverage of 115% for its loan payments for the year. The debt service coverage calculations for the year ended September 30, 2023 are as follows:

Senior Debt Service Coverage Calculation		
Gross revenues (a)	$	1,592,221
Less:		
Total operating expenses (b)		(1,991,224)
Remove: Depreciation expense		899,734
Remove: Change in pension elements		(30,903)
Operation and maintenance expenses (c)		(1,122,393)
Net available revenue - Revenue bonds	$	469,828
Debt service requirements - Revenue bonds	$	197,674
Coverage - Revenue bonds		238%

Subordinate Debt Service Coverage Calculation		
Net available revenue for revenue bonds	$	469,828
less: debt service requirements and required coverage for revenue bonds (d)		(237,209)
Net available revenue - loans payable	$	232,619
Debt service requirements - loans payable	$	118,531
Coverage - loans payable		196%

(a) Includes operating revenues for water and wastewater treatment and investment revenue.

(b) Excludes sanitation expenses ($544,688) and stormwater expenses ($102,296).

(c) Water and sewer operating expenses after removal of depreciation and changes in the pension elements required by GASB Cod. Sec. P20 because neither require the expenditure of cash.

(d) The subordinate debt requires the coverage of senior debt obligation debt service as well as the senior debt required coverage to be removed from net available revenues when calculating the subordinate debt coverage ratio. This is the debt service requirements of the revenue bonds multiplied by the senior debt service coverage requirement of 1.2.

The City was able to meet the senior and subordinate debt service coverage requirements of 120% and 115%, respectively.

NOTE 7 – PLEDGED REVENUES (concluded)

The City has pledged various future revenue sources for various debt issues. For the water and sewer system, the City has pledged future revenues, net of certain operating expenses. The following table provides a summary of the pledged revenues for the City's outstanding debt issues:

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Revenue	% of Revenues to Principal and Interest Paid
Water and wastewater net revenues	9/15/2032	$ 2,027,103	$ 323,021	$ 469,828	145.45%

NOTE 8 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT (SBITA)

During the current fiscal year, the City implemented GASB Statement No. 96 – *Subscription-Based Information Technology Arrangement* (SBITA). During the implementation the City identified a SBITA executed on December 9, 2020 for a subscription term of six years that conveys the right to the City to use certain information technology software. A subscription asset and liability were recorded in the amount of $50,053 by restating the prior year capital assets and long term obligations for both the governmental activities and business-type activities. As of September 30, 2023, the subscription liability was $39,441. The City is required to make annual principal and interest payments of $13,440. The SBITAs did not contain an explicit interest rate so the City used the Federal Reserve bank prime loan plus 1% rate (6.25%) as an estimate of their incremental borrowing rate on October 1, 2022 (implementation date). The value of the subscription asset and accumulated amortization can be found in Note 5 and activity related to the subscription liability can be found in Note 6.

The future principal and interest subscription payments as of September 30, 2023, were as follows:

	Governmental Activities		
Fiscal Year Ending	Principal	Interest	Total
2024	$ 6,551	$ 1,244	$ 7,795
2025	6,972	823	7,795
2026	7,421	374	7,795
2027	1,932	17	1,949
Total	$ 22,876	$ 2,458	$ 25,334

	Business-type Activities		
Fiscal Year Ending	Principal	Interest	Total
2024	$ 4,744	$ 901	$ 5,645
2025	5,049	596	5,645
2026	5,374	271	5,645
2027	1,398	13	1,411
Total	$ 16,565	$ 1,781	$ 18,346

NOTE 9 – INTERFUND TRANSACTIONS

Interfund receivables and payables on September 30, 2023 represent interfund borrowing that has not been repaid and consisted of:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise Fund	$ 123,464
		$ 123,464

The American Rescue Plan Act Grant Special Revenue Fund transferred $642,739 to the Enterprise Fund during the year ended September 30, 2023. These transfers represent Enterprise Fund costs that were paid with American Rescue Plan Act Grant funds.

NOTE 10 – PENSION PLANS

The City maintains two separate single employer defined benefit pension plans for its employees. Each provides retirement, disability, and death benefits to plan members and beneficiaries. Both plans were established by City ordinance and are governed by separate board of trustees. The pension plans do not issue stand-alone financial reports. These plans are subject to review by independent actuaries to determine annual required contributions.

It is the policy of the City to fund pension costs for defined benefit plans on an actuarial basis, which includes amortization of prior service costs, and to fund defined contribution plans as pension costs accrue.

In the government-wide and proprietary statement of net position, assets or liabilities are recognized for the City's share of each defined benefit pension plan's net pension asset or liability. For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's sponsored single employer plans and additions to/deductions from the City's sponsored single employer plans have been determined on the same basis as they are reported by the City's sponsored single employer plans. For this purpose, defined benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Employees' Pension Trust Fund

Plan Description – All employees working at least 20 hours each week, excluding police officers, are required to participate in the City's general employees' pension plan after one year of service.

As of October 1, 2022 (the latest available actuarial report date), the members of the plan were as follows:

Inactive plan members and beneficiaries receiving benefits	7
Inactive employees entitled to but not receiving benefits or refund of contributions	24
Active plan members	10
Total	41

NOTE 10 – PENSION PLANS (cont…)

General Employees' Pension Trust Fund (cont…)

Benefits Provided – The plan provides retirement, disability, and pre-retirement death benefits to all current members. Normal retirement age is 65 with at least 10 years of credited service. Upon normal retirement, members are entitled to a benefit at 2.5% of their average final compensation for each year of credited service (up to 30 years). Early retirement age is 55 with at least 10 years of credited service. Upon early retirement, the benefit is reduced actuarially for each year by which the participant's early retirement age precedes the normal retirement age. The plan also provides disability benefits for participants who are disabled on a continuous and permanent basis.

Employees are 100% vested after 10 years of service. The average compensation is equal to the average of the highest consecutive five years of pensionable earnings out of the last 10 years of service. Disability and pre-retirement death benefit amounts are the actuarial equivalent of the normal retirement benefit.

Contributions – The City Council establishes and may amend by ordinance the contribution requirements of plan members. The City is required by City ordinance and Florida Statutes to make additional contributions to fund the pension plan at an actuarially determined amount. Plan members contribute at least 1% but not more than 10% of pensionable earnings. The City's actuarially required contribution for the year ended September 30, 2023 was $61,023 and the City had prepaid contributions of $14,223 to apply towards this amount leaving a shortfall of $46,800 that is accrued as a payable to the Plan at September 30, 2023.

Net Pension Liability – The City's September 30, 2023 net pension liability was measured as of September 30, 2023.

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2022, that was updated to September 30, 2023 (City's measurement date) using the following actuarial assumptions applied to all measurement periods:

Liability measurement date	September 30, 2023
Valuation date	October 1, 2022
Discount rate	7.00% per year (2.62% per year is attributable to long term inflation); this rate was used to discount all future benefit payments.
Salary increases	5.50% per year, plus average earnings are loaded by 2.50% for accumulated leave payments upon termination of employment
Cost of living increases	None is assumed

NOTE 10 – PENSION PLANS (cont…)

General Employees' Pension Trust Fund (cont…)

The mortality table used was the PUB-2010 Headcount-Weighted Below Median Mortality Tables, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Core bonds	15.00%	1.60%
Core plus	15.00%	2.10%
U.S. large cap equity	25.00%	4.60%
U.S. small cap equity	14.00%	5.50%
Non-U.S. equity	21.00%	6.70%
Core real estate	10.00%	5.00%
Total or weighted arithmetic average	100.00%	4.38%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. This discount rate was based on the expected rate of return on pension plan investments of 4.38% and a 2.62% per year attributable to long term inflation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 – PENSION PLANS (cont…)

General Employees' Pension Trust Fund (cont…)

The components of the net pension liability (asset) for the Plan as of September 30, 2023, were as follows:

Total pension liability	$ 1,623,004
Plan fiduciary net position	(1,783,671)
Net pension liability (asset)	$ (160,667)
Plan fiduciary net position as a percentage of the total pension liability	110%

Changes in City's Net Pension (Asset) Liability – Changes in the City's net pension (asset) liability for the year ending September 30, 2023 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Measurement date - September 30, 2022	$ 1,423,370	$ 1,626,110	$ (202,740)
Changes for the year:			
Service cost	79,092	-	79,092
Interest	103,049	-	103,049
Difference between actual and expected experience	64,016	-	64,016
Contributions - City	-	46,800	(46,800)
Contributions - employee	-	29,253	(29,253)
Net investment income	-	139,599	(139,599)
Benefit payments, including refunds of employee contributions	(46,523)	(46,523)	-
Administrative expense	-	(11,568)	11,568
Net changes	199,634	157,561	42,073
Measurement date - September 30, 2023	$ 1,623,004	$ 1,783,671	$ (160,667)

NOTE 10 – PENSION PLANS (cont…)

General Employees' Pension Trust Fund (concluded)

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate – The following presents the plan's net pension (asset) liability, calculated using the current discount rate of 7%, as well as what the plan's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current discount rate:

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2023	7.00%	$ 101,928	$ (160,667)	$ (376,871)

Pension Expense, Deferred Outflows and Inflows of Resources Related to Plan – For the year ended September 30, 2023, the City recognized a negative pension expense of $7,887. On September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 85,260	$ 450,573
Change in assumptions	94,384	27,654
Net difference between projected and actual earnings on Plan investments	129,588	-
Total	$ 309,232	$ 478,227

The deferred outflows and inflows of resources related to the pension plan will be recognized in pension expense as follows:

Year ending September 30,	Amount
2024	$ (63,057)
2025	(60,293)
2026	9,004
2027	(44,291)
2028	(10,358)
Total	$ (168,995)

Payables to Pension Plan – On September 30, 2023, the City reported $46,800 as a payable to the Plan for outstanding contributions.

Money-weighted Rate of Return – For the year ended September 30, 2023, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts invested for the plan was 8.54%.

NOTE 10 – PENSION PLANS (cont…)

Police Officers' Pension Trust Fund

Plan Description – All Police Officers as of January 1, 2007, who elected to remain members of the system shall remain members of the system. There shall be no new members. All members shall be employed as a deputy sheriff by the Polk County Sheriff's Department because of the merger of the City Police Department and the Polk County Sheriff's Department.

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of two City residents appointed by the City Council, two Police Officers elected by a majority of Police Officers, and a fifth member that is elected by the Board and appointed (as a ministerial duty) by the City Council.

The members of the plan for each valuation report date below (the latest available) were as follows:

	as of October 1,	
	2021	2022
Inactive plan members and beneficiaries receiving benefits	12	12
Inactive employees entitled to but not receiving benefits	1	1
Active plan members	-	-
Total	13	13

Benefits Provided – The plan provides retirement, termination, disability and death benefits to all current members. Normal retirement age is 50 or the completion of 20 years of credited service. Upon normal retirement, members are entitled to a benefit at 3.55% of their average final compensation for each year of credited service. Early retirement age is 45 with at least 10 years of credited service. Upon early retirement, the accrued benefit reduces by 1/15th for each of the first 5 years and 1/30th for each of the next 5 years that early retirement precedes normal retirement.

Employees that are vested (upon termination of employment) with less than 5 years of contributions will receive a refund of accumulated contributions. Employees with 5 years or more will obtain a percentage of accrued pension that is payable at normal retirement or on a reduced basis at early retirement, per the following schedule:

Years of Service	Percent
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

Disability benefits include the amount of benefit accrued to date of disability but not less than 50% of Average Final Compensation on date of disability for service-connected members. For non-service-connected members, the disability benefit is the greater of the benefit accrued at date of disability using 2% benefit rate, or 25% of their average final compensation.

NOTE 10 – PENSION PLANS (cont…)

Police Officers' Pension Trust Fund (cont…)

Pre-retirement death benefits include 50% of average final compensation continued to spouse until death or 15% to each unmarried child until age 18 (22 if student) with a maximum total to all children of 50% for service-connected members.

The pre-retirement death benefits for non-service-connected members are the same as for service-connected except the benefit for spouse or maximum benefit for children is 25% of average final compensation. The minimum death benefit is the actuarial equivalent of Member's accrued benefit payable to beneficiary for life. The death benefit after retirement is payable in accordance with the optional form of pension selected at time of retirement. The cost - of - living adjustment for retirees is up to 3% per year beginning on the October 1 following normal retirement age.

Contributions – The Police Officers' Pension Trust Fund receives proceeds from an excise tax on casualty insurance premiums to fund its annual required contribution. While the City no longer has its own police department, some of the City police officers who transferred to the Polk County Sheriff's Office elected to remain with the City retirement plan. The City contributes annually such amounts as are necessary to fund the difference between the actuarially required annual contribution for the plan and the excise tax on casualty insurance premiums.

For the year ended September 30, 2023, the excise tax revenue was withheld by the State because of a late filing of the annual pension plan report to the State. Because of this, the Plan did not have a claim to these funds on September 30, 2023 and as a result, a receivable/revenue was not recorded. The withheld excise tax will be paid to the plan during the fiscal year ending September 30, 2024.

Plan members are required to contribute 1% of their salary. The City's actuarially required contribution for the year ended September 30, 2023 was $79,609 and the City had prepaid contributions of $26,236 to apply towards this amount and the City contributed $47,639 during the year leaving a shortfall of $5,734 that is accrued as a payable to the Plan at September 30, 2023.

Net Pension Liability – The City's September 30, 2023 net pension liability was measured as of September 30, 2022.

Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of October 1, 2021, that was updated to September 30, 2022 (City's measurement date) using the following actuarial assumptions applied to all measurement periods:

Liability measurement date	September 30, 2022	September 30, 2023
Valuation date	October 1, 2021	October 1, 2022
Inflation	2.50%	2.26%
Salary increases	4.00%	4.00%
Discount rate	6.50%	6.50%
Investment rate of return	6.50%	6.50%

The mortality table used for the September 30, 2022 and 2023 measurement date were based on the Society of Actuaries' Retirement Plans Experience Committee (RPEC) Pub-2010 Public Retirement Plans Mortality Tables Reports. All rates were projected generationally with Mortality Improvement Scale MP-2018.

NOTE 10 – PENSION PLANS (cont…)

Police Officers' Pension Trust Fund (cont…)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 and 2023 are summarized in the following tables:

September 30, 2022:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45.00%	5.84%
International equity	12.50%	4.57%
Emerging markets equity	2.50%	5.94%
Fixed income	30.00%	1.40%
MLP/Energy infrastructure	10.00%	4.59%
Total allocation and weighted arithmetic average rate of return	100.00%	4.23%

September 30, 2023:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45.00%	5.60%
International equity	12.50%	4.43%
Emerging markets equity	2.50%	5.60%
Fixed income	30.00%	1.18%
MLP/Energy infrastructure	10.00%	3.55%
Total allocation and weighted arithmetic average rate of return	100.00%	3.92%

NOTE 10 – PENSION PLANS (cont…)

Police Officers' Pension Trust Fund (cont…)

Discount Rate - A single discount rate of 6.5% was used to measure the total pension liability as of the September 30, 2023 and the September 30, 2022 measurement dates. This single discount rate was based on the expected rate of return on pension plan investments. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability as of the Plan's Financial Reporting Date - The components of the net pension liability as of the Plan's financial reporting date of September 30, 2023, which differs from the City's measurement date of September 30, 2022, was as follows:

Total pension liability	$	5,356,220
Plan fiduciary net position		(4,068,912)
Net pension liability (asset)	$	1,287,308
Plan fiduciary net position as a percentage of the total pension liability		76%

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NOTE 10 – PENSION PLANS (cont…)

Police Officers' Pension Trust (cont…)

Changes in City's Net Pension Liability – Changes in the City's net pension liability for the measurement date ending September 30, 2022 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Measurement date - September 30, 2021	$ 5,251,606	$ 4,914,819	$ 336,787
Changes for the year:			
Interest	331,040	-	331,040
Difference between actual and expected experience	45,499	-	45,499
Contributions - City	-	87,204	(87,204)
Contributions - State	-	31,970	(31,970)
Net investment income	-	(728,041)	728,041
Benefit payments, including refunds of employee contributions	(317,381)	(317,381)	-
Administrative expense	-	(22,375)	22,375
Net changes	59,158	(948,623)	1,007,781
Measurement date - September 30, 2022	$ 5,310,764	$ 3,966,196	$ 1,344,568

In accordance with GASB Cod. Sec. P20, the City's net pension liability of the Police Officers' Pension Trust is measured as of end of the prior fiscal year. The City's September 30, 2023 net pension liability (reporting date) for the Police Officers' Pension Trust was measured as of September 30, 2022 (measurement date). The City uses the same date for the measurement date and the reporting date for the General Employees' Pension Trust Fund.

NOTE 10 – PENSION PLANS (cont…)

Police Officers' Pension Trust (cont…)

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate – The following presents the net pension liability (asset) of the City as of the measurement date (September 30, 2022), and as of the Plan's financial reporting date (September 30, 2023) , calculated using the current discount rate for each of the calculations as well as what the plan's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2022	6.50%	$ 2,052,423	$ 1,344,568	$ 769,788
9/30/2023	6.50%	$ 1,987,504	$ 1,287,308	$ 716,893

Pension Expense, Deferred Outflows and Inflows of Resources Related to Plan – For the year ended September 30, 2023, the City recognized pension expense of $247,484. On September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Plan investments	$ 613,425	$ -
City contributions subsequent to the measurement date	53,373	-
Total	$ 666,798	$ -

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2022 will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Remaining amounts reported as deferred inflows and outflows of resources will be recognized in pension expense in the years and amounts shown below.

Year ending September 30,	Amount
2024	$ 167,389
2025	129,852
2026	108,117
2027	208,067
Total	$ 613,425

NOTE 10 – PENSION PLANS (cont…)

Police Officers' Pension Trust (concluded)

Payables to Pension Plan – On September 30, 2023, the City reported a $5,734 liability for outstanding contributions.

Money-weighted Rate of Return – For the year ended September 30, 2023, the money-weighted rate of return, net of investment expenses and adjusted for the changing amounts actually invested for the plan was 10.68%.

Pension Plan Financial Statements

Statement of Fiduciary Net Position as of September 30, 2023:

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Total
ASSETS			
Investments	$ 1,736,871	$ 4,027,023	$ 5,763,894
Receivables:			
Due from other governments	46,800	5,734	52,534
Due from broker	-	2,682	2,682
Accrued interest and dividends	-	10,264	10,264
Prepaid items	-	29,900	29,900
Total assets	1,783,671	4,075,603	5,859,274
LIABILITIES			
Accounts payable:			
Due to broker	-	6,691	6,691
Total liabilities	-	6,691	6,691
NET POSITION			
Restricted for pension benefits	$ 1,783,671	$ 4,068,912	$ 5,852,583

NOTE 10 – PENSION PLANS (concluded)

Pension Plan Financial Statements (concluded)

Schedule of Changes in Fiduciary Net Position for the year ended September 30, 2023:

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Total
ADDITIONS			
Contributions:			
Employer:			
City	$ 46,800	$ 53,373	$ 100,173
Employee	29,253	-	29,253
Total contributions	76,053	53,373	129,426
Investment earnings:			
Interest and dividends	-	92,010	92,010
Net increase in the fair value of investments	139,599	345,495	485,094
Total investment earnings	139,599	437,505	577,104
Less investment expense	-	33,542	33,542
Net investment earnings	139,599	403,963	543,562
Total additions	215,652	457,336	672,988
DEDUCTIONS			
Benefits	44,148	324,594	368,742
Refund of contributions	2,375	-	2,375
Administrative expenses	11,568	30,026	41,594
Total deductions	58,091	354,620	412,711
CHANGE IN NET POSITION	157,561	102,716	260,277
NET POSITION, beginning of year	1,626,110	3,966,196	5,592,306
NET POSITION, end of year	$ 1,783,671	$ 4,068,912	$ 5,852,583

NOTE 11 – OTHER EMPLOYEE BENEFIT PLANS

The City Manager has the option of participating in a separate deferred compensation plan or to participate in the general employees' pension plan. If the City Manager selects the deferred compensation plan, the City contributes 6% of the City Manager's salary and the City Manager is required to contribute a minimum of 1%. The current City Manager opted to participate in the general employees' pension plan, so no City contributions were made to a deferred compensation plan for the benefit of the City Manager.

The City also offers employees who have completed one year of continuous service an optional non-contributory deferred compensation plan created pursuant to Internal Revenue Code Section 457. Both plans are administered by third party custodians and the plans' assets are not considered part of the reporting entity and are not included in these financial statements.

NOTE 12 - OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

The City follows GASB Cod. Sec. P50 for certain post-employment health care and dental benefits provided by the City.

The City engaged an actuary to estimate the total other post-employment benefit (OPEB) obligation measured as of September 30, 2023 which resulted in an estimated actuarial determined OPEB obligation and OPEB expense that was immaterial and accordingly, there is no OPEB liability recorded in the financial statements. It is the intent of the City to engage an actuary to recalculate the total OPEB liability if there are significant changes in the City's staffing matrix or the health care benefits provided.

NOTE 13 – SEGMENT INFORMATION FOR ENTERPRISE FUND

The City has outstanding debt secured by its water and sewer revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation and stormwater. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivables, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net position. Segment financial information that can be separately identified for the enterprise fund as of and for the year ended September 30, 2023, is presented below:

	Water System	Sewer System	Total Water and Sewer System
Condensed statement of revenue, expenses and changes in net position:			
Operating revenues	$ 668,925	$ 903,111	$ 1,572,036
Operating expenses			
Personnel services	(178,250)	(257,239)	(435,489)
Contract services	(55,375)	(81,092)	(136,467)
Insurance	(20,790)	(25,257)	(46,047)
Materials and supplies	(79,204)	(53,717)	(132,921)
Repair and maintenance	(128,297)	(94,709)	(223,006)
Utilities	(40,593)	(55,382)	(95,975)
Miscellaneous	(16,388)	(5,197)	(21,585)
Depreciation	(259,063)	(640,671)	(899,734)
Nonoperating revenues / (expenses)			
Interest expense	(1,605)	(49,816)	(51,421)
Impact fees	32,063	54,000	86,063
Grants	-	1,754,804	1,754,804
Investment revenue	20,185	-	20,185
Gain (loss) on disposal of property	651	-	651
Transfers in(out)	321,370	321,370	642,739
Change in net position	$ 263,629	$ 1,770,205	$ 2,033,833
Summary information from statement of net position:			
Capital assets, net			$ 12,516,252
Long-term debt, including current portion			$ 1,865,087

NOTE 14 - RISK MANAGEMENT AND LITIGATION

During the ordinary course of its operations, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have material impact on the financial position of the City.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2023, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

The City is under contract with the Polk County Sheriff's Office to provide law enforcement services to the City through the year ended September 30, 2025. The City is required to provide the Sheriff with adequate office space at the City's expense and the contract can be terminated by either party upon 365 days written notice. The City paid $833,828 for the year ended September 30, 2023. The contract calls for the following minimum costs going forward:

Fiscal year ending September 30,	Amount
2024	$849,953
2025	$866,952

NOTE 16 – JOINT VENTURE

Background - The Polk Regional Water Cooperative (PRWC) was created on April 1, 2016 by an interlocal agreement between the City of Frostproof, City of Auburndale, City of Bartow, City of Davenport, Town of Dundee, City of Eagle Lake, City of Fort Meade, City of Haines City, City of Lake Alfred, City of Lakeland, City of Lake Wales, City of Mulberry, Polk City, City of Winter Haven, Town of Lake Hamilton and Polk County in accordance with Chapters 163 and 373 of the Florida Statutes.

These local government units are collectively considered the Member Governments. The PRWC is a separate legal entity organized under the laws of the State of Florida, and the Member Governments have no equity ownership in the PRWC.

The PRWC is devoted to encouraging the development of fully integrated, robust public water supply systems comprised of diverse sources managed in a manner that takes full advantage of Florida's intense climatic cycles to ensure reliable, sustainable and drought resistant systems which maximize the use of alternative water supplies to the greatest extent practicable. The PRWC will evaluate, plan and implement water projects and coordinate partnerships with other water users.

NOTE 16 – JOINT VENTURE (concluded)

Membership fees - The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2023, the total annual working capital needs of the PRWC was $235,000 of which the City's proportionate share was $1,126.

Projects – The PRWC is planning, designing, and constructing alternative water systems and these projects are funded by those Member Governments who have agreed to share the cost. The City has opted not to participate in the PRWC projects.

Contact - Complete financial statements of the PRWC may be obtained from the PRWC's Executive Director at 330 W. Church Street, P.O. Box 9005, Drawer CA01, Bartow, FL 33831-9005.

NOTE 17 – RESTATEMENTS

NEW ACCOUNTING GUIDANCE IMPLEMENTION

During the fiscal year ended September 30, 2023, the City implemented the provisions of GASB Statement No. 96 – *Subscription-Based Information Technology Arrangement*. The objective of this Statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs), improving the comparability of financial statements among governments that have entered into SBITAs and to enhance the understandability, reliability, relevance and consistency of information about SBITAs. Under this Statement, a government generally should recognize a subscription liability and an intangible right-to-use subscription asset.

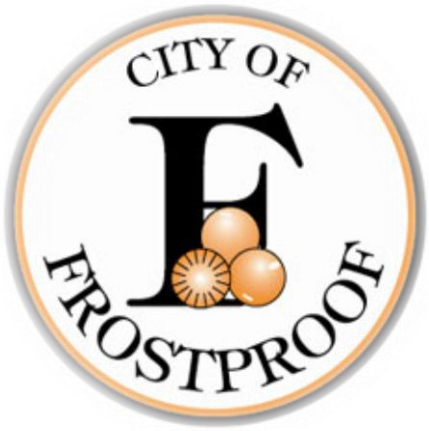
During implementation the City identified one SBITA that required the reporting of a subscription asset and liability under this statement. Due to the implementation guidance of this statement, the subscription asset and liability are equal at the beginning of the period of implementation (October 1, 2022) and as a result, this implementation did not result in the restatement of previously reported net position but did require the restatement of previously reported balances of capital assets and long-term obligations to reflect the right-subscription asset balances and the related subscription payable at that date.

CHANGE IN REPORTING ENTITY

In response to the changes to Section 163.31801, Florida Statutes, the City has established the impact fee special revenue fund effective October 1, 2022 to account for the financial transactions of the City impact fees other than water and sewer impact fees. This reporting change is considered a change in accounting principle and as a result, fund balance of the general fund, as previously reported, was decreased by $180,709 which is the total of unspent impact fees previously reported in the general fund as of September 30, 2022. The beginning of the year fund balance of the impact fee special revenue fund was increased by this same amount.

CORRECTION OF ERROR

During 2023 the City was notified that the electricity franchise fee revenue received during the fiscal year ending September 30, 2022 was overstated by $30,118 due to an error of the electricity provider. This amount is being withheld from future electricity franchise fee revenue over a three-month period beginning in September 2023. Beginning fund balance of the general fund and beginning net position of the governmental activities were reduced by this amount to reflect the liability to the electricity provider.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FROSTPROOF, FLORIDA
Budgetary Comparison Schedule – General Fund
for the year ended September 30, 2023

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
RESOURCES:				
Taxes:				
Property	$ 1,154,750	$ 1,154,750	$ 1,191,749	$ 36,999
Franchise and utility taxes	807,793	807,793	888,935	81,142
Licenses and permits	147,550	147,550	141,418	(6,132)
Intergovernmental revenue	792,091	792,091	733,255	(58,836)
Charges for services	406,755	406,755	456,247	49,492
Fines and forfeitures	5,400	5,400	31,878	26,478
Investment income	5,760	5,760	187,753	181,993
Other	61,450	61,450	57,133	(4,317)
Total resources	3,381,549	3,381,549	3,688,368	306,819
OUTFLOWS:				
General government:				
Legislative	36,748	36,747	37,469	(722)
Executive	70,543	70,986	64,778	6,208
Clerk/finance	97,227	142,934	108,731	34,203
Legal	39,700	42,700	38,823	3,877
Planning	95,443	83,000	89,222	(6,222)
Cemetery	91,897	102,231	89,606	12,625
Other general government	179,342	187,885	157,467	30,418
Total general government	610,900	666,483	586,096	80,387
Public safety:				
Law and Code Enforcement	1,040,389	998,640	1,001,097	(2,457)
Fire department	269,147	269,147	222,040	47,107
Building department	106,840	58,537	106,214	(47,677)
Total public safety	1,416,376	1,326,324	1,329,351	(3,027)
Transportation	531,532	542,332	519,982	22,350
Library	251,400	263,068	218,538	44,530
Parks and recreation	433,185	445,186	297,007	148,179
Total outflows	3,243,393	3,243,393	2,950,974	292,419
NET CHANGE IN FUND BALANCE	$ 138,156	$ 138,156	$ 737,394	$ 599,238

NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND - The annual budget for the general fund is generally prepared in accordance with the modified accrual basis of accounting.

CITY OF FROSTPROOF, FLORIDA
Budgetary Comparison Schedule – American Rescue Plan Grant Special Revenue Fund
for the year ended September 30, 2023

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
RESOURCES:				
Intergovernmental revenue	$ -	$ -	$ 759,603	$ 759,603
Investment income	-	-	9,319	9,319
Total resources	-	-	768,922	768,922
OUTFLOWS				
Current:				
Public safety:				
Fire department	-	-	27,706	(27,706)
Community affairs	-	-	16,082	(16,082)
Capital outlay:				
Fire department	-	-	73,076	(73,076)
Total outflows	-	-	116,864	(116,864)
EXCESS (DEFICIENCY) OF RESOURCES OVER (UNDER) OUTFLOWS	-	-	652,058	652,058
OTHER BUDGETARY SOURCES				
Transfers out	-	-	(642,739)	642,739
NET CHANGE IN FUND BALANCE	$ -	$ -	$ 9,319	$ 1,294,797

NOTES TO BUDGETARY COMPARISON SCHEDULE – AMERICAN RESCUE PLAN GRANT SPECIAL REVENUE FUND – A budget for the American Rescue Plan Grant Special Revenue Fund was not prepared and approved for the year ended September 30, 2023.

CITY OF FROSTPROOF, FLORIDA

General Employees' Pension Trust Fund - Schedule of Changes in Net Pension Liability and Related Ratios
Required Supplementary Information

Measurement date	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Reporting date	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Total pension liability				
Service cost	$ 79,092	$ 69,106	$ 86,830	$ 45,005
Interest	103,049	122,099	92,589	89,816
Change in assumptions	-	-	(56,064)	-
Change in benefit terms	-	-	536,508	-
Difference between expected and actual experience	64,016	(430,069)	(169,822)	(21,648)
Benefit payments, including refunds of employee contributions	(46,523)	(43,772)	(47,305)	(120,237)
Net change in total pension liability	199,634	(282,636)	442,736	(7,064)
Total pension liability, beginning	1,423,370	1,706,006	1,263,270	1,270,334
Total pension liability, ending (a)	$ 1,623,004	$ 1,423,370	$ 1,706,006	$ 1,263,270
Plan fiduciary net position				
Contributions - City	$ 46,800	$ -	$ -	$ -
Contributions - Employee	29,253	21,932	29,805	4,884
Net investment income (loss)	139,599	(253,977)	303,970	96,051
Benefit payments, including refunds of employee contributions	(46,523)	(49,667)	(47,306)	(120,237)
Administrative expenses	(11,568)	(8,125)	-	-
Net change in plan fiduciary net position	157,561	(289,837)	286,469	(19,302)
Plan fiduciary net position, beginning	1,626,110	1,915,947	1,629,478	1,648,780
Plan fiduciary net position, ending (b)	$ 1,783,671	$ 1,626,110	$ 1,915,947	$ 1,629,478
Net pension liability (asset) (a)-(b)	$ (160,667)	$ (202,740)	$ (209,941)	$ (366,208)
Plan fiduciary net position as a percentage of total pension liability	109.90%	114.24%	112.31%	128.99%
Covered payroll	$ 463,755	$ 450,027	$ 517,081	$ 454,066
Net pension liability as a percentage of covered payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Continued…

CITY OF FROSTPROOF, FLORIDA

General Employees' Pension Trust Fund - Schedule of Changes in Net Pension Liability and Related Ratios (Concluded)

Required Supplementary Information

Measurement date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Reporting date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total pension liability					
Service cost	$ 51,364	$ 58,564	$ 63,058	$ 48,978	$ 31,717
Interest	88,225	84,198	81,031	59,434	81,166
Change in assumptions	-	-	106,024	236,289	-
Change in benefit terms	-	3,238	-	-	-
Difference between expected and actual experience	(54,549)	(24,915)	(148,383)	106,809	(114,776)
Benefit payments, including refunds of employee contributions	(55,845)	(54,472)	(53,039)	(156,713)	(57,251)
Net change in total pension liability	29,195	66,613	48,691	294,797	(59,144)
Total pension liability, beginning	1,241,139	1,174,526	1,125,835	831,038	890,182
Total pension liability, ending (a)	$ 1,270,334	$ 1,241,139	$ 1,174,526	$ 1,125,835	$ 831,038
Plan fiduciary net position					
Contributions - City	$ 16,324	$ 30,815	$ 35,973	$ 33,151	$ 32,578
Contributions - Employee	5,918	5,119	5,981	5,521	5,394
Net investment income (loss)	74,688	110,343	178,460	100,567	(2,720)
Benefit payments, including refunds of employee contributions	(55,845)	(54,472)	(53,039)	(156,713)	(52,896)
Administrative expenses	-	(7,975)	(7,075)	(8,087)	(7,300)
Net change in plan fiduciary net position	41,085	83,830	160,300	(25,561)	(24,944)
Plan fiduciary net position, beginning	1,607,695	1,523,865	1,363,565	1,389,126	1,414,070
Plan fiduciary net position, ending (b)	$ 1,648,780	$ 1,607,695	$ 1,523,865	$ 1,363,565	$ 1,389,126
Net pension liability (asset) (a)-(b)	$ (378,446)	$ (366,556)	$ (349,339)	$ (237,730)	$ (558,088)
Plan fiduciary net position as a percentage of total pension liability	129.79%	129.53%	129.74%	121.12%	167.16%
Covered payroll	$ 512,265	$ 564,733	$ 620,486	$ 510,322	$ 509,811
Net pension liability as a percentage of covered payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Additional information will be provided annually until ten years of data is presented.

Changes of Assumptions:

For measurement date September 30, 2021:

- The mortality rates were changed from the RP-2000 Combined Mortality Table with generational improvements using Scale BB to PUB-2010 Mortality Tables with generational improvements using Scale MP-2018.

For measurement date September 30, 2017:

- The mortality rates were changed from a 2007 projection of the RP-2000 Mortality Table for annuitants to the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB.

For measurement date September 30, 2016:

- The discount rate was decreased from 9.08% to 7.00% per annum.

Changes in Benefit Terms:

For measurement date September 30, 2021:

- The Plan was amended to increase the retirement benefit from 1.50% for each year of credited service to 2.50% and the employee contribution percentage was changed from a flat 1.00% of pensionable wages to a minimum of 1% to a maximum of 10% of pensionable wages as determined by the City.

For measurement date September 30, 2018:

- The Plan was amended to add a graded vesting schedule for those participants who have earned between five and ten years of vested service.

CITY OF FROSTPROOF, FLORIDA

Police Officers' Pension Trust Fund - Schedule of Changes in Net Pension Liability and Related Ratios

Required Supplementary Information

Measurement date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Reporting date	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Total pension liability					
Service cost	$ -	$ -	$ 13,672	$ 13,135	$ 11,966
Interest	334,650	331,040	332,795	338,970	331,768
Change in excess State money	-	-	-	-	-
Difference between expected and actual experience	35,400	45,499	14,833	(46,501)	26,080
Change of assumptions	-	-	304,724	(110,337)	118,271
Benefit payments, including refunds of employee contributions	(324,594)	(317,381)	(309,928)	(258,098)	(251,328)
Net change in total pension liability	45,456	59,158	356,096	(62,831)	236,757
Total pension liability, beginning	5,310,764	5,251,606	4,895,510	4,958,341	4,721,584
Total pension liability, ending (a)	$ 5,356,220	$ 5,310,764	$ 5,251,606	$ 4,895,510	$ 4,958,341
Plan fiduciary net position					
Contributions - City	$ 53,373	$ 87,204	$ 88,594	$ 124,352	$ 146,650
Contributions - State of Florida	-	31,970	26,963	28,570	27,130
Contributions - Employee	-	-	224	754	708
Contributions - Others	-	-	-	-	-
Net investment income (loss)	403,963	(728,040)	795,758	186,373	115,702
Benefit payments, including refunds of employee contributions	(324,594)	(317,382)	(309,928)	(258,098)	(251,328)
Administrative expenses	(30,026)	(22,375)	(25,071)	(21,647)	(26,054)
Net change in plan fiduciary net position	102,716	(948,623)	576,540	60,304	12,808
Plan fiduciary net position, beginning	3,966,196	4,914,819	4,338,279	4,277,975	4,265,167
Plan fiduciary net position, ending (b)	$ 4,068,912	$ 3,966,196	$ 4,914,819	$ 4,338,279	$ 4,277,975
Net pension liability (asset) (a)-(b)	$ 1,287,308	$ 1,344,568	$ 336,787	$ 557,231	$ 680,366
Plan fiduciary net position as a percentage of total pension liability	75.97%	74.68%	93.59%	88.62%	86.28%
Covered payroll	n/a	n/a	$ 22,444	$ 75,436	$ 70,847
Net pension liability as a percentage of covered payroll	n/a	n/a	1500.57%	738.68%	960.33%

Continued…

CITY OF FROSTPROOF, FLORIDA

Police Officers' Pension Trust Fund - Schedule of Changes in Net Pension Liability and Related Ratios (Concluded)
Required Supplementary Information

Measurement date	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Reporting date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total pension liability					
Service cost	$ 11,009	$ 10,689	$ 21,940	$ 20,535	$ 28,891
Interest	329,312	310,266	305,548	307,105	292,750
Change in excess State money	-	-	(9,046)	-	-
Difference between expected and actual experience	(49,778)	100,093	47,532	(202,226)	-
Change of assumptions	112,600	132,130	(95,096)	-	-
Benefit payments, including refunds of employee contributions	(241,433)	(238,987)	(172,544)	(122,614)	(121,165)
Net change in total pension liability	161,710	314,191	98,334	2,800	200,476
Total pension liability, beginning	4,559,874	4,245,683	4,147,349	4,144,549	3,944,073
Total pension liability, ending (a)	$ 4,721,584	$ 4,559,874	$ 4,245,683	$ 4,147,349	$ 4,144,549
Plan fiduciary net position					
Contributions - City	$ 116,898	$ 112,042	$ 124,057	$ 182,172	$ 159,813
Contributions - State of Florida	25,010	23,803	21,765	22,367	24,244
Contributions - Employee	656	646	1,262	1,281	3,096
Contributions - Others	16,000	14,692	-	-	-
Net investment income (loss)	327,756	345,650	331,941	(108,445)	233,629
Benefit payments, including refunds of employee contributions	(241,433)	(238,987)	(172,543)	(122,614)	(121,165)
Administrative expenses	(18,776)	(21,771)	(22,547)	(19,737)	(32,810)
Net change in plan fiduciary net position	226,111	236,075	283,935	(44,976)	266,807
Plan fiduciary net position, beginning	4,039,056	3,802,981	3,519,046	3,564,022	3,297,215
Plan fiduciary net position, ending (b)	$ 4,265,167	$ 4,039,056	$ 3,802,981	$ 3,519,046	$ 3,564,022
Net pension liability (asset) (a)-(b)	$ 456,417	$ 520,818	$ 442,702	$ 628,303	$ 580,527
Plan fiduciary net position as a percentage of total pension liability	90.33%	88.58%	89.57%	84.85%	85.99%
Covered payroll	$ 65,605	$ 64,601	$ 126,208	$ 128,143	$ 173,421
Net pension liability as a percentage of covered payroll	695.70%	806.21%	350.77%	490.31%	334.75%

Additional information will be provided annually until ten years of data is presented.

Changes of Assumptions:

For measurement date September 30, 2021:

- The investment rate of return was lowered from 7.0% to 6.50%.

For measurement date September 30, 2020:

- As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

For measurement date September 30, 2019:

- The investment rate of return was lowered from 7.2% to 7.0%.

For measurement date September 30, 2018:

- The investment rate of return was lowered from 7.4% to 7.2%.

For measurement date September 30, 2017:

- The investment rate of return was lowered from 7.5% to 7.4%.
- The inflation assumption was increased from 2.3% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.
- The assumed rates of mortality were changed to match those used in the July 1, 2016 FRS valuation report.

For measurement date September 30, 2016:

- The inflation assumption was lowered from 3.0% to 2.3%, matching the long-term inflation assumption utilized by the Plan's investment consultant.
- The assumed rates of mortality were changed to match those used in the July 1, 2015 FRS valuation report.

CITY OF FROSTPROOF, FLORIDA

General Employees' Pension Trust Fund - Schedule of Contributions

Required Supplementary Information

Fiscal year end	(1) Actuarially Determined Contribution	(2) Contributions Recognized by the Plan	(3) Difference between (1) and (2)	Covered Payroll	Column (2) as a % of Covered Payroll
September 30, 2023	$ 61,023	$ 46,800	$ (14,223)	$ 463,755	10.09%
September 30, 2022	-	-	-	450,027	0.00%
September 30, 2021	110,960	-	(110,960)	517,081	0.00%
September 30, 2020	15,540	-	(15,540)	454,066	0.00%
September 30, 2019	27,457	16,324	(11,133)	515,265	3.17%
September 30, 2018	34,117	30,801	(3,316)	564,733	5.45%
September 30, 2017	40,788	35,973	(4,815)	620,486	5.80%
September 30, 2016	27,165	33,151	5,986	510,322	6.50%
September 30, 2015	8,576	32,578	24,002	509,811	6.39%
September 30, 2014	31,112	161,111	129,999	Not Available	Not Available

Valuation date October 1, 2022

Actuarially determined contribution amounts are calculated as of October 1, which is one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution amounts:

Discount rate	7.00% per annum
Salary increases:	5.50% per annum, plus average earnings are loaded by 2.50% to account for accumulated leave payments upon termination of employment
Cost-of-living assumption:	None assumed
Mortality basis:	Sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median mortality tables with full generational improvements in mortality using Scale MP-2018 and with males ages set back one year.
Retirement:	20% of eligible participants are assumed to retire at age 62, 10% of eligible participants are assumed to retire at each of ages 63 and 64, and 100% of eligible participants are assumed to retire at 65.
Other decrements:	With respect to participants with less than seven years of service, termination rates are service-based and range from 8.70% with less than one year of service to 6.00% with between six and seven years of service; with respect to all other participants, termination rates are age-based and range from 5.40% at age 20 to 0.00% at age 60.
Non-investment expenses:	Projected benefit liability is loaded by 4.50% to account for anticipated administrative expenses.
Future contributions:	Contributions from the employer and employees are assumed to be made as legally required.
Assumption changes:	None

CITY OF FROSTPROOF, FLORIDA

Police Officers' Pension Trust Fund - Schedule of Contributions

Required Supplementary Information

Fiscal year end	(1) Actuarially Determined Contribution	(2) Contributions Recognized by the Plan	(3) Difference between (1) and (2)	Covered Payroll	Column (2) as a % of Covered Payroll
September 30, 2023	$ 79,609	$ 53,373	$ 26,236	n/a	n/a
September 30, 2022	92,938	119,174	(26,236)	n/a	n/a
September 30, 2021	120,862	115,557	5,305	22,444	514.87%
September 30, 2020	165,168	152,922	12,246	75,436	202.72%
September 30, 2019	164,149	173,780	(9,631)	70,847	245.29%
September 30, 2018	149,988	157,908	(7,920)	65,605	240.70%
September 30, 2017	150,536	150,536	-	64,601	233.02%
September 30, 2016	154,869	154,869	-	126,208	122.71%
September 30, 2015	204,539	204,539	-	128,143	159.62%
September 30, 2014	190,052	190,052	-	173,421	109.59%

Valuation date: October 1, 2021

Actuarially determined contribution amounts are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution amounts:

Discount rate	6.50% per annum (2.50% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments
Salary increases:	n/a - no remaining active members.
Cost-of-living assumption:	2.5% per year.
Mortality basis:	Sex-distinct rates set forth in the PUB-2010 mortality tables with full generational improvements in mortality using Scale BB.
Retirement age:	n/a - no remaining active members.
Early retirement:	n/a - no remaining active members.
Disability and Termination:	n/a - no remaining active members.
Payroll growth:	n/a - no remaining active members.
Assumption changes:	The discount rate was reduced from 7.00% to 6.50% per annum and salary increases, payroll growth, retirement assumptions were removed as there are no remaining active members.

General Employees' Pension Trust Fund:

Fiscal year ended	Annual money-weighted rate of return net of investment expenses
September 30, 2023	8.54%
September 30, 2022	-13.22%
September 30, 2021	19.51%
September 30, 2020	6.79%
September 30, 2019	5.38%
September 30, 2018	7.52%
September 30, 2017	13.40%
September 30, 2016	7.80%
September 30, 2015	0.60%
September 30, 2014	8.57%

Police Officers' Pension Trust Fund:

Fiscal year ended	Annual money-weighted rate of return net of investment expenses
September 30, 2023	10.68%
September 30, 2022	-15.78%
September 30, 2021	18.98%
September 30, 2020	4.47%
September 30, 2019	2.78%
September 30, 2018	8.32%
September 30, 2017	9.35%
September 30, 2016	9.48%
September 30, 2015	-3.19%
September 30, 2014	6.74%

City of Frostproof

The Friendly City

SUPPLEMENTARY INFORMATION

CITY OF FROSTPROOF, FLORIDA
Combining Balance Sheet – Non-Major Governmental Funds
September 30, 2023

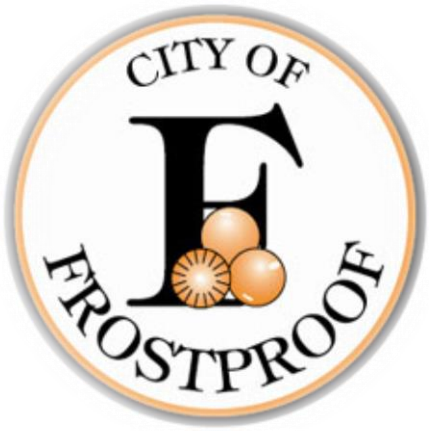
	Impact Fee Special Revenue Fund	Latt Maxcy Memorial Library Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	$ 238,304	$ 26,959	$ 265,263
Total assets	$ 238,304	$ 26,959	$ 265,263
FUND BALANCE			
Restricted for:			
Cultural activities	-	26,959	26,959
Capital improvements	238,304	-	238,304
Total fund balances	238,304	26,959	265,263
Total fund balance	$ 238,304	$ 26,959	$ 265,263

CITY OF FROSTPROOF, FLORIDA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

for the year ended September 30, 2023

	Impact Fee Special Revenue Fund	Latt Maxcy Memorial Library Special Revenue Fund	Total
REVENUES:			
Licenses and permits	$ 119,633	$ -	$ 119,633
Other	-	1,581	1,581
Total revenues	119,633	1,581	121,214
EXPENDITURES:			
Current:			
Culture	-	450	450
Capital outlay	62,038	-	62,038
Total expenditures	62,038	450	62,488
NET CHANGE IN FUND BALANCE	57,595	1,131	58,726
FUND BALANCE, beginning of year as previously reported	-	25,828	25,828
Restatement (Note 17)	180,709	-	180,709
FUND BALANCE, beginning of year - restated	180,709	25,828	206,537
FUND BALANCE, end of year	$ 238,304	$ 26,959	$ 265,263



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City of Frostproof
The Friendly City

OTHER REPORTS

CITY OF FROSTPROOF, FLORIDA
Schedule of Expenditures of State Financial Assistance
for the year ended September 30, 2023

State Agency/Pass-through Entity/State Project	CSFA#	Contract/Grant Identification	Total Expenditures
State of Florida Department of Environmental Protection			
Direct program:			
Statewide Water Quality Restoration Projects	37.039	LPA0293	$ 625,377
Statewide Water Quality Restoration Projects	37.039	LPA0212	1,129,427
Total Florida Department of Environmental Protection			1,754,804
Total Expenditures of State Financial Assistance			$ 1,754,804

NOTE 1 - GENERAL

The accompanying schedule of expenditures of state financial assistance included herein represents the activities of all state financial grant activity of the City of Frostproof, Florida (the City) for the year ended September 30, 2023.

State financial assistance received directly, as well as passed through to other government agencies, if any, are included in the schedule. For the year ended September 30, 2023, the City had no subrecipients and therefore did not pass any state financial assistance through to other government agencies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The information in this schedule is presented in accordance with the requirements of Chapter 69I.5*, Schedule of Expenditures of State Financial Assistance,* Rules of the Florida Department of Financial Services; and Chapter 10.550, Rules of the Florida Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements of the City.

Basis of Accounting – The expenditures in the accounting schedule of expenditures of state financial assistance are presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis, as described in Note 1 to the City's financial statements.

NOTE 3 - CONTINGENCIES

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies because of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations. Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such reviews potentially may result in disallowed expenditures.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the City of Frostproof, Florida's (the City) compliance with the types of compliance requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2023. The City's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2023.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.550, *Rules of the Auditor General* (Chapter 10.550). Our responsibilities under those standards and Chapter 10.550 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's state projects.

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550 will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major special project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

possibility that material non-compliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

Purvis Gray

December 18, 2024
Sarasota, Florida

CITY OF FROSTPROOF, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Part A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No

State Financial Assistance Projects

Internal Control Over Major Programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of Auditor's Report Issued on Compliance for Major Programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557 for local government entities?	No

Identification of Major Projects:

State Financial Assistance Projects

Florida Department of Environmental Protection	
Statewide Water Quality Restoration Projects	CSFA No. 37.039
Dollar threshold used to distinguish between Type A and Type B programs - State Programs:	$526,441

PART B - FINDINGS - FINANCIAL STATEMENT AUDIT

■ **2023-01 – Timeliness of Financial Close and Reporting (Significant Deficiency)**

Condition – At commencement of final fieldwork, we noted that there were several large areas still requiring completion and adjustment. Management noted that these areas were still in process and adjustments were to be provided. The City subsequently provided adjustments to these areas. The State of Florida requires that municipalities submit their audited financial statements by June 30 of the following fiscal year.

Effect – This resulted in significant updates to the original trial balance, a delay in the completion of final fieldwork, and a delay in the issuance of the financial statements until after the State of Florida's statutory reporting deadline.

Recommendation – We recommend management reviews policies and procedures in relation to the closing process in order to improve the timeliness of financial close and reporting. At the commencement of final fieldwork, all significant audit areas should be completed in order to limit the need for a large volume of subsequent journal entries. This reduces the chance of errors and allows management to perform an effective review of final amounts prior to commencement of the audit.

■ **2023-02 – Timely Remittance of Grant Expenditures (Material Weakness)**

Condition – During the audit, we observed that there were significant expenditures, $849,306 in total, for the period ended September 30, 2023, which were not submitted to the grantor agency for reimbursement for over one year.

Effect – While management still considers the funds to be receivable, delayed submission could impact the City's compliance with grant agreements in subsequent years and affect the future recoverability of receivables.

Recommendation – We recommend management review their grant management process and ensure timely reporting of activity to granting agencies for reimbursement.

PART C - OTHER ISSUES

No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.

No corrective action plan is required because there were no current year findings required to be reported under the *Florida Single Audit Acts*.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frostproof, Florida (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-02 to be a material weakness.

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-01 to be a significant deficiency.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis Gray

December 18, 2024
Sarasota, Florida

PURVIS GRAY

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES - INVESTMENTS OF PUBLIC FUNDS

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

We have examined the City of Frostproof, Florida's (the City) compliance with Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2023. City management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2023.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, the Honorable Mayor and Members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis Gray

December 18, 2024
Sarasota, Florida

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE FOR THE U.S. TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROGRAM (CSLFRF) REQUIREMENTS FOR AN ALTERNATIVE CSLFRF COMPLIANCE EXAMINATION ENGAGEMENT

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

We have examined the City of Frostproof, Florida's (the City) compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in "Requirements for an Alternative Compliance Examination Engagement for Recipients that Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2023 OMB *Compliance Supplement* (referred to herein as Requirements for an Alternative CSLFRF Compliance Examination Engagement) during the year ended September 30, 2023. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the Requirements for an Alternative CSLFRF Compliance Examination Engagement. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the specified requirements referenced above during the year ended September 30, 2023.

Purvis Gray

December 18, 2024
Sarasota, Florida

PURVIS GRAY

MANAGEMENT LETTER

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

Report on the Financial Statements
We have audited the financial statements of the City of Frostproof, Florida (the City), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated December 18, 2024.

Auditor's Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements
We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each State Project and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *American Institute of Certified Public Accountants Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General* and "Requirements for an Alternative Compliance Examination Engagement for Recipients that Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)" of the CSLFRF section of the 2023 OMB *Compliance Supplement*. Disclosures in those reports, which are dated December 18, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings
Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report with the exception of the following finding which remained uncorrected:

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	**2021-22 FY Finding No.**	**2020-2021 FY Finding No.**
2023-01	2022-01	N/A
2023-03	2022-04	N/A

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

MANAGEMENT LETTER

Official Title and Legal Authority
Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City has disclosed this information in the notes to the financial statements.

Financial Condition and Management
Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have the below recommendations:

- **2023-03 Bank Reconciliation**
  Timely and accurate bank reconciliations are a key component of internal control over multiple financial reporting processes, including cash receipting, cash disbursements, and payroll functions, as a means of detecting potential errors or irregularities. During the audit we noted that improper reconciling items were included in the bank reconciliation resulting in an overstatement of cash and an understatement of accounts receivable of $61,334. We recommend that the City review its bank reconciliation process to ensure that review of significant reconciling items is being performed prior to the approval of the bank reconciliation.

- **2023-04 Untimely Remittance of Pension Contributions**
  Under Florida Statute 112.64(1), employee contributions are required to be deposited in the retirement plan monthly and employer contributions are required at least quarterly. During the audit we noted that employee and employer contributions were not remitted as required, which resulted in a payable at year-end of $76,053 with $46,800 due from the City and $29,253 due from the City on behalf of its employees. We recommend that management establish and document a well-defined process for timely remittance of pension contributions to the plan.

- **2023-05 Budget Requirements**
  Governmental Accounting Standards Board Statement No. 30 Paragraph 130 states that budgetary comparison schedules should be presented as required supplementary information for the general fund and each major special revenue fund that has a legally adopted annual budget. The *American*

The Honorable Mayor and
Members of the City Commission
City of Frostproof
Frostproof, Florida

MANAGEMENT LETTER

Rescue Plan Act Fund is a major special revenue fund this year; however, for the year ended September 30, 2023, we noted that a budgetary comparison schedule was not presented as there was no budget adopted. Additionally, during budget testing, it was noted there were several departments whose expenditures exceeded appropriations. These departments whose expenditures exceeded appropriations and by how much are as follows: Legislative ($722), Planning ($6,222), Law and Code Enforcement ($2,457), and the Building Department ($47,677). Florida Statutes Section 166.241(2) mandates municipalities to adhere to the budgetary limits established by the governing body. We recommend management review necessary budgetary reporting requirements for the Special Revenue Fund and consider adopting a budget for this fund in the future as well as implement additional budget monitoring controls to prevent expenditures over budget and ensure accompanying budget amendments are made timely if necessary.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we noted the below finding:

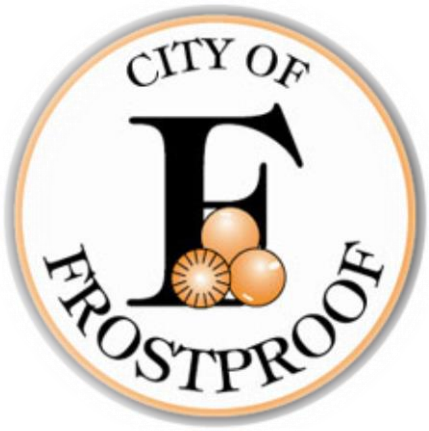
- **2023-06 Management and Timely Remittance of Impact Fees**
  Per the City's interlocal agreement with Polk County, Section 5b, the City is required to remit impact fees no later than the 15th day of the month following collection. During the audit, we noted that impact fees were not being remitted to Polk County timely. As of December 31, 2022, the balance due to the County contained the amounts due as of September 30, 2022. Additionally, the balance due to the County as of September 30, 2023, was equal to approximately 4 months of receipts. We recommend that management establish and document a well-defined process for identifying, collecting, remitting, and reconciling impact fees received on behalf of Polk County.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Mayor, members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis Gray

December 18, 2024
Sarasota, Florida



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City of Frostproof
The Friendly City

OTHER INFORMATION

December 20, 2024

Honorable Members of the City Council
City of Frostproof
111 West 1st Street
Frostproof, FL 33843

Dear Members of the City Council:

We have received the management letter prepared by our independent auditors, as well as the Schedule of Findings and Questioned Costs as required by the Florida Single Audit Act (Section 215.97, Florida Statutes) and the rules of the Florida Auditor General. We appreciate the auditors' efforts to provide their findings and observations, which will help us improve our financial and operational practices. Management has reviewed the findings, and we are committed to addressing them in a timely and effective manner. Below, we provide our responses to the specific findings included in the Schedule of Findings and Questioned Costs:

1. **Finding 2023-01: Timeliness of Financial Close and Reporting**
   The finding noted by the auditors is mainly due to inadequate staffing in the finance department. We concur with the auditor's recommendation and will be working on filling the open position within the finance department with a qualified individual.

2. **Finding 2023-02: Timely Remittance of Grant Expenditures**
   We concur with the auditor's recommendation and are working more closely with the individual that is responsible for submitting grant expenditures for reimbursement.

3. **Finding 2023-03: Bank Reconciliation**
   The finding noted by the auditors is mainly due to inadequate staffing in the finance department. We concur with the auditor's recommendation and will be working on filling the open position within the finance department with a qualified individual.

4. **Finding 2023-04: Untimely Remittance of Pension Contributions**
   The finding noted by the auditors is mainly due to inadequate staffing in the finance department. We concur with the auditor's recommendation and will be working on filling the open position within the finance department with a qualified individual.

5. **Finding 2023-05: Budget Requirements**
   The finding noted by the auditors is mainly due to inadequate staffing in the finance department. We concur with the auditor's recommendation and will be working on filling the open position within the finance department with a qualified individual.

6. **2023-06: Management and Timely Remittance of Impact Fees**
   The finding noted by the auditors is due to the date in the Interlocal Agreement with Polk County. We concur with the auditor's recommendation and have reached out to the County to have a new Interlocal Agreement drafted to amend the due date. The County is aware of our process and have not had any issues with receiving our submittal of Polk County Impact Fees.

We take our fiscal responsibilities seriously and are committed to ensuring that the City's financial practices align with the highest standards of accountability and transparency. Management will continue to work closely with the auditors and City Council to implement all necessary improvements.

Should you have any questions or require additional information regarding our responses, please do not hesitate to contact us.

Sincerely,

Nicole McDowell
City Manager